

**KONAMI**

**Fiscal 2010**

**KONAMI Group Report**

April 1, 2009 – March 31, 2010

**KONAMI CORPORATION**

## To Our Shareholders and Investors

---

We sincerely hope that this message finds our shareholders prospering and in good health.

The unclear future of the economic recession that has persisted since the beginning of last year has resulted in limited consumer spending and a growing trend toward consumers seeking out lower prices.

Although Konami continues to face tough business conditions, we are working to improve our financial position and enhance our profitability. Through these efforts, we hope to develop a stronger operating foundation over the medium term.

At Konami, we have always been aware of the need to ensure that Group management reflects the changing times and evolving operating conditions. We will continue to promote the holding company system in order to establish a system through which all Group companies can work independently to maximize corporate value.

The business areas of “entertainment” and “health” in which we operate cater to the needs of a variety of people. Moreover, those business areas have considerable social significance and promise a wide range of new business possibilities. Accordingly, Konami will continue to analyze the needs of customers in the business areas of “entertainment” and “health.” By developing and providing the products and services that customers need and advancing sound business practices, the Group will strive to achieve further growth.

By creating and providing “Valuable Time,” we aim to continue being a business group that people hold in high regard.

On behalf of the Konami Group, I ask our shareholders for their continued support and encouragement.

June 2010

**Kagemasa Kozuki**

Representative Director, KONAMI CORPORATION

# Konami's Business Areas

The Konami Group provides products and services to customer from a wide range of age groups. Turning everyday “life” into “high quality life.”

## Digital Entertainment Segment



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



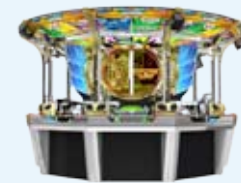
WORLD SOCCER  
Winning Eleven 2010



METAL GEAR SOLID  
PEACE WALKER



LOVEPLUS



FORTUNE TRINITY

## Gaming & System Segment



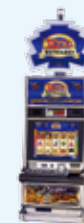
Development, manufacture, sale, and service of gaming machines for casinos and casino management systems



Advantage 5™  
(Gold Frenzy)



Advantage+™  
(Lucky Jester)



K2V™  
(Pirate's Rose)



Advantage Revolution™  
(Diamond Safari)

## Health & Fitness Segment



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



Lifestyle-related disease  
prevention program



Studio program (Aerobics)



Konami Sports Club  
Sendai Nagamachi

# Topics

## Aim for Number One in the World as the Japan National Team

### Release of *WORLD SOCCER Winning Eleven 2010 Aoki Samurai no Chosen*

The latest title in the *Winning Eleven* series— *WORLD SOCCER Winning Eleven 2010 Aoki Samurai no Chosen* —was released in May 2010 in correspondence to the growing excitement toward soccer in Japan.

This title includes a new “Japan Challenge Mode” in which players play as the Japan national team and take on other leading teams worldwide with the hopes of becoming the number one team in the world. Players are offered the option of controlling the team as a whole or playing as a single member of the team. This enables players to feel as though they are an actual member of the team, allowing them to realize the dreams and aspirations that they hold in regard to the Japan national team.

As this title is officially licensed by the Japan Football Association, we

were able to create new realistic polygonal models that faithfully recreate such elements of the Japan national team as its players, emblems, and uniforms. As a result, this title is able to present clashes between world champions with stunning graphics that are comparable to the real thing.



© 2009 JFA  
All other copyrights or trademarks are the property of their respective owners and are used under license.

## Playing with PASELI Makes Games Even More Fun

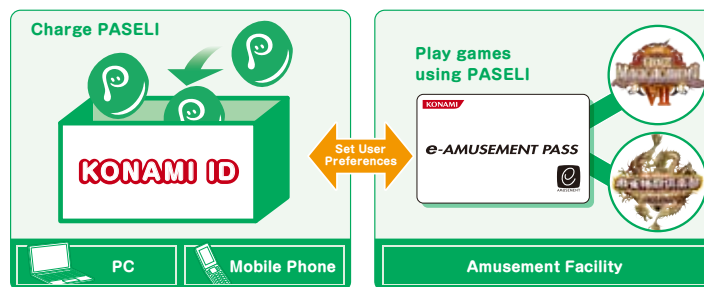
### Pay Smart Enjoy Life (PASELI)

The PASELI digital cash service, which is a product of the amusement industry know-how that we have accumulated over these long years, was launched in spring 2010.

Up until now, the amusement industry’s services have been strictly coin-based, which has limited freedom in setting prices. However, the use of PASELI allows prices to be set based on the progression of the game or the depth of the game content, and can make the whole arcade experience more fun than ever.

For example, through PASELI, a player can begin playing a game at a preview price and then continue to pay based on how far they progress into the game. PASELI also allows players access to such benefits as the ability to purchase items related to the game and customize their characters.

PASELI can be implemented at any game arcade where KONAMI’s e-AMUSEMENT system is installed without any additional capital investment.



We have currently introduced PASELI service into the popular Konami games QUIZ MAGIC ACADEMY 7 and MAH-JONG FIGHT CLUB GARYOTEN-SEI. Going forward, we will work to increase the variety of machines compatible with PASELI and develop types of play that can only be offered through PASELI.

## Konami's Latest Gaming Machines Displayed at Global Gaming Expo 2009

### The New Cabinet *Podium*™ Receives Rave Reviews

Konami displayed its latest gaming machines including the new slot machine, *Advantage Revolution*™; and the new cabinet, *Podium*™; at Global Gaming Expo 2009—the gaming industry's largest trade show—which was held in November 2009.

Additionally, we held a demonstration in which one of Konami's slot machines communicated with the *Konami Casino Management System*, which enables real-time management of slot machine information, customer information, and settlements via network connection, through the use of the G2S protocol, which is expected to become the fundamental technology in the gaming industry.

We also displayed *Podium*™ cabinets in which the new content designed for the *K2V*™ video slot machine series had been installed, and we subse-

quently began sales of this product. Throughout the year under review, it has gotten rave reviews for not only the new, original cabinet design but also the wide variety of content that supports it. This has had a positive influence on our operating results.



Podium™  
(Jumpin' Jalapenos)

### All for Smiles

The Konami Sports Clubs that are operated by Konami Sports & Life Co., Ltd. are filled with smiles. Our fitness program instructors for adults, swimming and sports coaches for children, and the reception desk staff—who are the face of Konami Sports Clubs—are all coming together to warmly welcome customers and further enrich the services that help them in their health maintenance and promotion efforts.

In fiscal 2010, Konami Sports & Life has developed a new business philosophy based on the key phrase "All for Smiles." Konami Sports & Life is expanding business activities based on this philosophy. We are seeing a great deal of customer support for facilities that we have innovated with new ideas. These include our golf teaching program, which makes use of our digital golf simulator system; and the *LES MILLS PROGRAMS*, which makes use of *BODYBIKEs*. The "All for Smiles" philosophy will form the foundation on which we will create new innovative ideas.

Going forward, Konami Sports & Life will use this philosophy as the foundation for all of its services lines, and will continue its efforts to bring smiles to the faces of its customers.

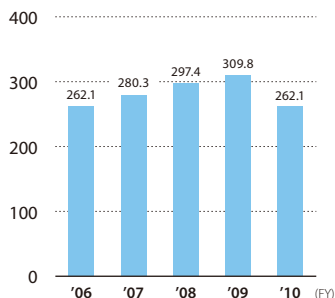


# Consolidated Financial Highlights (U.S. GAAP)

## Consolidated Performance

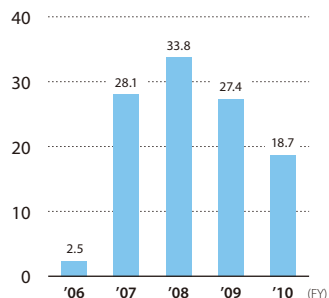
### Net Revenues

¥ Billion



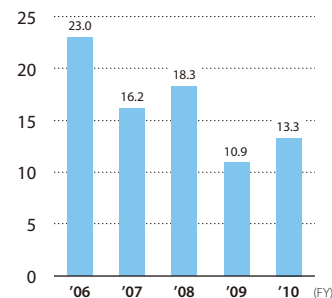
### Operating Income

¥ Billion



### Net Income

¥ Billion



## Business Segment

### Digital Entertainment Segment

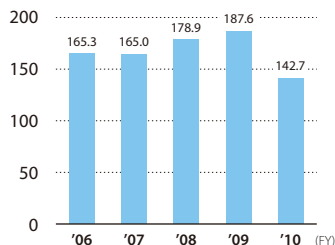
Net Revenues  
by Segment

54.4%



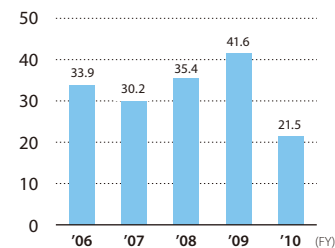
### Net Revenues

¥ Billion



### Operating Income

¥ Billion



### Gaming & System Segment

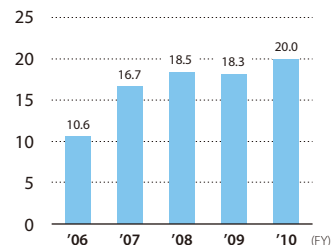
Net Revenues  
by Segment

7.6%



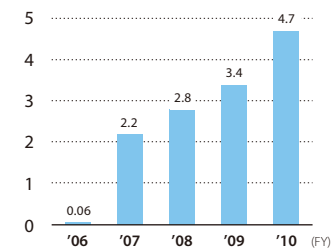
### Net Revenues

¥ Billion



### Operating Income

¥ Billion



### Health & Fitness Segment

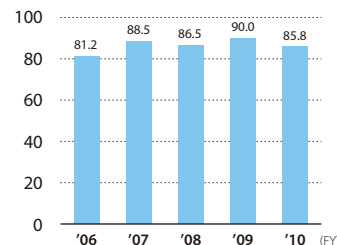
Net Revenues  
by Segment

32.7%



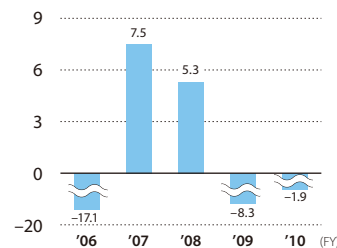
### Net Revenues

¥ Billion



### Operating Income

¥ Billion



# Consolidated Financial Statements (U.S. GAAP)

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

	March 31, 2010	March 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>	<b>134,562</b>	<b>136,675</b>
Cash and cash equivalents	50,740	53,568
Trade notes and accounts receivable, net of allowance for doubtful accounts	30,164	30,624
Inventories	23,497	23,512
Other	30,161	28,971
<b>PROPERTY AND EQUIPMENT, net</b>	<b>62,434</b>	<b>60,552</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>	<b>101,202</b>	<b>104,443</b>
Investments in marketable securities	2,372	2,679
Identifiable intangible assets (including Goodwill)	57,145	57,808
Other assets	41,685	43,956
<b>TOTAL ASSETS</b>	<b>298,198</b>	<b>301,670</b>

	March 31, 2010	March 31, 2009
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>	<b>53,465</b>	<b>62,386</b>
<b>LONG-TERM LIABILITIES</b>	<b>55,502</b>	<b>55,745</b>
<b>TOTAL LIABILITIES</b>	<b>108,967</b>	<b>118,131</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Konami Corporation stockholders' equity	184,465	178,632
Noncontrolling interest	4,766	4,907
<b>TOTAL EQUITY</b>	<b>189,231</b>	<b>183,539</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>298,198</b>	<b>301,670</b>

## Consolidated Statements of Income (Unaudited) (Yen in Millions)

	Year ended March 31, 2010	Year ended March 31, 2009
<b>NET REVENUES</b>	<b>262,144</b>	<b>309,771</b>
<b>COSTS AND EXPENSES</b>	<b>243,480</b>	<b>282,410</b>
<b>OPERATING INCOME</b>	<b>18,664</b>	<b>27,361</b>
<b>OTHER INCOME (EXPENSES), NET</b>	<b>(1,542)</b>	<b>(2,642)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>17,122</b>	<b>24,719</b>
<b>INCOME TAXES</b>	<b>3,600</b>	<b>10,715</b>
<b>EQUITY IN NET INCOME OF AFFILIATED COMPANIES</b>	<b>56</b>	<b>(2,490)</b>
<b>NET INCOME</b>	<b>13,578</b>	<b>11,514</b>
<b>NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST</b>	<b>264</b>	<b>640</b>
<b>NET INCOME ATTRIBUTABLE TO KONAMI CORPORATION</b>	<b>13,314</b>	<b>10,874</b>

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

	Year ended March 31, 2010	Year ended March 31, 2009
<b>Net cash provided (used) by operating activities</b>	<b>14,297</b>	<b>30,131</b>
<b>Net cash used in investing activities</b>	<b>(6,449)</b>	<b>(5,715)</b>
<b>Net cash used in financing activities</b>	<b>(10,744)</b>	<b>(21,004)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>68</b>	<b>(1,974)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,828)</b>	<b>1,438</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>53,568</b>	<b>52,130</b>
<b>Cash and cash equivalents, end of the period</b>	<b>50,740</b>	<b>53,568</b>

## Stock Information (As of March 31, 2010)

Common Stock	
Authorized:	450,000,000 shares
Outstanding:	143,500,000 shares (including 10,039,336 treasury shares)
Number of shareholders:	51,286

### Principal Shareholders

Shareholder's Name	Shares (Thousands)	% of Total
Kozuki Foundation For Sports and Education	14,700	11.01
Kozuki Holding	13,530	10.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,724	8.04
Japan Trustee Services Bank, Ltd. (Trust Account)	8,207	6.15
Kozuki Capital Corporation	7,036	5.27
Sumitomo Mitsui Banking Corporation	4,135	3.10
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,790	2.84
JPMorgan Securities Japan Co., Ltd.	3,000	2.25
CBNY UMB FUNDS	1,791	1.34
Mitsubishi UFJ Securities Co., Ltd.	1,521	1.14

## Corporate Data (As of March 31, 2010)

Company Name	KONAMI CORPORATION
President and Representative Director	Kagemasa Kozuki
Headquarters	9-7-2, Akasaka, Minato-ku, Tokyo 107-8323, Japan TEL: 81-3-5770-0573 FAX: 81-3-5412-3300
Founded	March 21, 1969
Incorporated	March 19, 1973
Paid-in Capital	¥47,399 million
Home Page URL	<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)

## Shareholder Information

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

### 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 Inquiries

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 8:00 am to 8:00 pm EST weekdays.

##### Internet URL

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.