

Overview by Business Segment

Digital Entertainment

A diverse lineup of products was released in Japan in addition to the release of sports titles such as *PUROYAKYU SPIRITS 6*, *J.LEAGUE Winning Eleven 2009 CLUB CHAMPIONSHIP* and *JIKKYOU PAWAFURU PUROYAKYU PORTABLE 4*, which are Konami's forte. The lineup included the animated titles *A penguin's troubles X* and *Okamikakushi* as well as the new communication game *LOVEPLUS* in which the characters' daily lives are linked to the time and season in the real world.

Regarding the distribution of game software titles for mobile phones and terminals, including the iPhone and iPod touch, Konami promoted development utilizing various popular titles.

In amusement arcade video games, *jubeat ripples*, the latest game in this music series; *HORSERIDERS2*, a horse racing simulation card game; and *InfinityRings*, a mass medal game in a new genre were released in addition to popular music games already available that utilize the e-AMUSEMENT service linking amusement arcades nationwide through its network. Further, card games continued to show steady sales.

Meanwhile, in North America and Europe, sales were strong for the *DanceDanceRevolution* series (known as *DancingStage* in Europe) and the *Pro Evolution Soccer* series, which were released last year.

Due to the absence of major titles such as last year's *METAL GEAR SOLID 4 GUNS OF THE PATRIOTS* and the fact that most of the main titles for the segment for this current fiscal year are not scheduled to be released until the second half of the year, sales fell the first half compared to the same period the previous year.

In terms of financial performance, consolidated net revenues for the six months ended September 30, 2009 of this segment amounted to ¥51,419 million (a year-on-year decrease of 44.7%).

Health & Fitness

The business environment of the fitness club industry remained harsh, as the trend toward lower prices continued and the increase in the number of facilities made the recruitment of new members difficult.

Against such a backdrop, Konami strove to enhance its value-added services both within and outside its facilities as well as its health-related products and expand the range of services and the lineup of products that meet specific regional characteristics and customer needs.

Regarding directly managed facilities, 19 fitness clubs were closed as part of the streamlining efforts implemented under Konami's structural reform. Meanwhile, a total of five facilities, including relocated and reconstructed facilities, were opened: Motoyamaminami (Hyogo Prefecture) and Sapporo Maruyama (Hokkaido) in April 2009, and Ichikawa (Chiba Prefecture), Kitahama (Osaka Prefecture) and Shinsaibashi (Osaka Prefecture) in May.

In September, we launched a golf swing data analysis service at some facilities by introducing ScienceFit by PRGR, which is also utilized by professional golfers.

We provided services for customers, whose health consciousness is on the rise, by developing facilities that meet specific regional characteristics, expanding and enriching existing services, and developing and introducing health promotion programs that leverage Konami's strengths in health management, exercise and nutritional guidance through utilizing IT.

In the management of fitness facilities outsourced to Konami, the promotion of the good health of local residents was advanced by adding four facilities under our management, including the Mikamo Clean Center Residual Heat Utilization Facility (Tochigi

Prefecture) and the Hiroshima Prefectural Sports Center (Hiroshima Prefecture). These facilities are operated by fully utilizing Konami's know-how and experience in the operation of public facilities.

The number of sports facilities managed by Konami, including those that are directly managed or managed on an outsourced basis, was 327 nationwide as of the end of September 2009.

In health-related products, we expanded our sales network, such as by launching catalog sales in May 2009 through an alliance with the Tokyo Branch of Japan Post Network Co. Ltd.

In August, we launched *EXERCISEWATER ZERO*, a sugar-free beverage with zero calories, and in September, we commenced a download service for the *Konami Sports Club Widget*, a new function that enables convenient health management and can be connected with the Konami Sports Club mobile phone website. By promoting the rollout of new products and the computerization of health management, we enriched and expanded our products and services for the maintenance and promotion of health within and outside our facilities.

In terms of financial performance, consolidated net revenues for the six months ended September 30, 2009 of this segment amounted to ¥43,375 million (a year-on-year decrease of 4.6%).

Gaming & System

Sales of the *K2V* video slot machine series, which has become a standard item in casinos, and the *Advantage 5* five-reel mechanical slot machine series continued to win favorable recognition in the North American market.

Sales of the *Konami Casino Management System*, which provides a stable source of income from maintenance and servicing, as well as

sales through participation agreements (equipment sales in which profits are shared with operators) are also increasing, and consequently market share is being steadily captured.

Full-scale marketing has also commenced in Central and South America, with progress in the building of a distribution network for the market.

Growth in demand came to a halt in the Australian market due to factors such as the sluggish economy, restrictions placed in key states on the number of machines installed, smoking restrictions in clubs and pubs as well as tax code revisions.

Konami's revenues, however, improved through the introduction of the *Konami Casino Management System* in addition to favorable *K2V* video slot machine series sales.

Konami exhibited products at various trade shows around the world, including the Australasian Gaming Expo (held in Sydney, Australia, in August 2009), the largest gaming equipment exposition in the Oceania region; and the South American Gaming Suppliers Expo (SAGSE Buenos Aires 2009) (held in Buenos Aires, Argentina, in September 2009).

A wide ranging product lineup that met the needs of each market was shown to favorable reviews. Products exhibited included the *Advantage 5* series, which is gaining attention in North America; the *K2V* series, which is installed with a new-concept free game; a link progressive machine; and the "*Podium*," a new-generation cabinet (outer structure).

In terms of financial performance, consolidated net revenues for the six months ended September 30, 2009 of this segment amounted to ¥8,896 million (a year-on-year increase of 13.3%).