

**KONAMI**

**Fiscal 2011**

# **Konami Group Report**

April 1, 2010 – March 31, 2011

**KONAMI CORPORATION**

# To Our Shareholders

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On behalf of everyone at the Konami Group, I would like to thank our shareholders and other investors for their continued support and encouragement. Moreover, we would like to express our deepest condolences to all those who suffered from the Great East Japan Earthquake and our wishes for a rapid recovery for the disaster-stricken areas.

In Japan, the economy has shown signs of a moderate recovery, but a number of uncertain factors are expected to affect market conditions. These factors include a low-price orientation accompanying sluggish consumption and intensified competition, the continuing appreciation of the yen, and disaster-related damage.

The Group's operating environment remains challenging, but through rapid decision making and a strengthened focus on cash flow management, we have bolstered our financial position and enhanced our earnings capability. Moreover, to record continued growth in the years ahead, I believe it is important to allocate management resources to fields with strong potential, and thereby to maximize corporate value.

In KONAMI's fields of business—entertainment and health—customer preferences are diversifying and new communities are forming. To respond appropriately to drastic changes in the market environment and advance to a flexible, ongoing operational structure, the Group strives to accurately meet customer demand in each market, establishes a system for the promotion of flexible development in each field of business, and targets sustained growth. In this way, we will advance an operational framework that enables the entire Group to make dramatic forward progress.

We, the 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."

June 2011

Kagemasa Kozuki

Representative Director, KONAMI CORPORATION

# Konami Group's Business Areas

## Digital Entertainment Segment

Production, manufacture, and sale of digital content and related products including social games, online games, computer & video games, amusement and card games.



DRAGON COLLECTION



SENGOKU COLLECTION



Professional Baseball  
Dream Nine

©NPB USING OFFICIAL RECORD OF PROFESSIONAL BASEBALL NPB BJS  
APPROVED BY THE PROFESSIONAL BASEBALL ORGANIZATION OF JAPAN

## Gaming & Systems Segment

Development, manufacture, sale, and service of gaming machines and the Casino Management System for overseas markets.

KP3  
New 3D-compatible  
platform that is the  
successor to the K2V series



HIGH VELOCITY  
GRAND PRIX  
Focus on high-speed  
graphics and sound



## Pachinko & Pachinko Slot Machines Segment

Production, manufacture, and sale of pachinko slot machines and LCDs units for pachinko machines.



Castlevania II



GENSO SUIKODEN

## Health & Fitness Segment

Operation of health and fitness clubs, and production, manufacture, and sale of health and fitness related goods.



Bodybike



Aqua circuit

## Expanding Social Game Operations— *DRAGON COLLECTION* and Other Titles Earn Strong Market Reception

Digital Entertainment

*DRAGON COLLECTION*, a social game, has surpassed 2 million members and has remained No. 1 for 23 consecutive weeks (as of the end of March 2011) in a comprehensive ranking of SNS (social networking service) game popularity, receiving strong support from customers.

We commenced distribution of *DRAGON COLLECTION* in September 2010. This game, where players collect Monster Cards and hidden treasures through adventures and fighting, incorporates the collection of traditional “Dragon Cards.”

In addition, *SENGOKU COLLECTION* garnered more than 1 million members in about three months after its release, an indication of how this genre of game is showing strong growth.

In *SENGOKU COLLECTION*, when a quest is completed the player

can collect attractive illustrated cards of famous warlords from the Sengoku Era.

In addition, KONAMI has also started distribution of *Professional Baseball Dream Nine* and *DOTCATCHER*. In the rapidly changing social game market, we are working to make ongoing improvements in functionality and quality, even after the start of distribution, so that we can continue to provide services that meet the demands of customers in that market.

In the future, we will continue working to delight customers through active development of content in the social game market.



## Aggressively Introducing 3D Technology into Our Content

Digital Entertainment

On February 26, 2011, the latest title in the *Winning Eleven* series—*Winning Eleven 3D Soccer*—was released. In 3D, the path of the ball and the depth of the field are reproduced with greater realism, enabling players to enjoy soccer with a sensation similar to that as being on an actual soccer field.

In addition, in April 2011, we released *PROFESSIONAL BASEBALL SPIRITS 2011*, which enables players to experience attending the game at a ball park in 3D.

Next, we plan to release *METAL GEAR SOLID: SNAKE EATER*, an action game, and *New LOVEPLUS*, the latest title in the *LOVEPLUS* romance simulation game series.

In amusement arcade machines, we followed up *METAL GEAR SOLID* and *ROAD FIGHTERS* with the addition of 3D graphics to *LOVEPLUS MEDAL Happy Daily Life*, which was launched in February

and offers users the ability to experience entirely new forms of communication.

Moving forward, we will aggressively introduce new technology and undertake broad-ranging development of content for each platform. In this way, we will deliver new entertainment and experiences to customers around the world.



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## Exhibited at Global Gaming Expo 2010, the World's Largest Gaming Expo

Gaming & Systems

KONAMI exhibited at Global Gaming Expo 2010 (G2E 2010), an exposition for gaming-related products held in Las Vegas, in the United States, from November 16, 2010.

G2E 2010 is one of the world's largest gaming industry trade fairs, and was attended by more than 500 companies.

G2E 2010 was the venue for the first public exhibition of *KP3*, our next-generation 3D slot machine platform. We also exhibited *Rock around the Clock*, a new type of progressive, and *Advantage Revolution*, a leading-edge slot machine that offers new advances

in presentation.

Furthermore, we took steps to introduce a diverse lineup of offerings, such as exhibiting a large quantity of content for the K2V video slot machine series.

To continue to propose new fun in the future, we will move ahead with development of gaming-related products, with a focus on the world market.



## Building Pachinko and Pachinko Slot Machines into Our Fourth Business Pillar Pachinko & Pachinko Slot Machines

Previously, our pachinko and pachinko slot machines business was included in other operations, but from the fiscal year under review, the pachinko and pachinko slot machine business is a new segment. In the year under review, KONAMI sold pachinko slot machines based on the Konami Group content, such as *Castlevania II*, *Gokuraku Parodius*, and *GENSO SUIKODEN*.

In original content, *Magical Halloween 2*, a model rolled out in the previous fiscal year, continued to sell well during the year under review and was favorably received by customers.

In addition, our LCD units for pachinko machine manufacturers received high evaluations from many manufacturers.

In the future, the Pachinko & Pachinko Slot Machines segment will continue striving to increase its market share by providing products that leverage the Group's extensive entertainment expertise in step with market developments, such as changes in how games are played and user preferences.



## Opened Konami Sports Club Izumifuchu—Includes Complete Hot Springs in Fuchuru Izumi

Health & Fitness

On April 1, 2011, KONAMI relocated the Izumi City, Osaka, fitness facility, Konami Sports Club Izumifuchu, to the Fuchuru Izumi multipurpose facility. Fuchuru Izumi, which is located in a redevelopment area on the eastern side of Izumi-Fuchu Station on JR's Hanwa Line, is expected to be a new base for exchange among local residents.

The new Konami Sports Club Izumifuchu is in an excellent location about a two-minute walk from Izumi-Fuchu Station. With

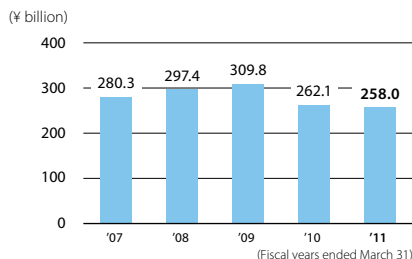
an area of about 3,700 square meters, the club enables customers to enjoy true relaxation.

Through the operation of Konami Sports Club Izumifuchu, we provide customers with services that increase the enjoyment of life and support healthy, active lifestyles.

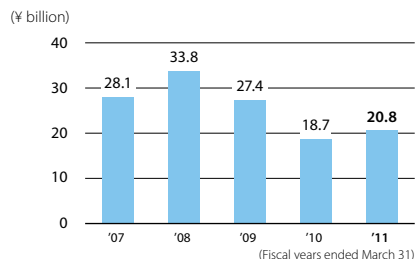


# Consolidated Financial Highlights (U.S. GAAP)

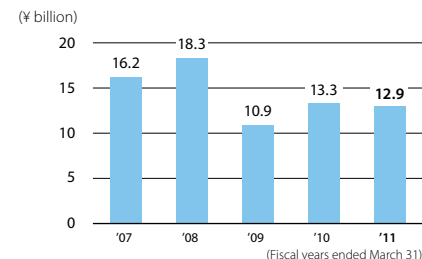
## Net Revenues



## Operating Income



## Net Income



## Consolidated Balance Sheets

(Key items) (Yen in millions)

	As of March 31, 2011	As of March 31, 2010
Current assets	148,934	134,562
Fixed assets	164,957	163,636
Total assets	313,891	298,198
Current liabilities	63,155	53,465
Long-term liabilities	52,329	55,502
Equity	198,407	189,231
Total liabilities and equity	313,891	298,198

## Consolidated Statements of Income

(Key items) (Yen in millions)

	As of March 31, 2011	As of March 31, 2010
Net revenues	257,988	262,144
Operating income	20,791	18,664
Income before income taxes	19,082	17,122
Net income	12,934	13,314

## Consolidated Statements of Cash Flows

(Key items) (Yen in millions)

	As of March 31, 2011	As of March 31, 2010
Net cash provided by operating activities	26,605	14,297
Net cash used in investing activities	(10,773)	(6,449)
Net cash used in financing activities	(6,182)	(10,744)
Cash and cash equivalents, end of period	59,541	50,740

## Overview of the Fiscal Year

In the fiscal year under review, the Company's operating environment remained difficult as a result of uncertainty over the future due to such factors as the impact of the appreciation of the yen and deflation in the domestic economy. The Great East Japan Earthquake, which occurred in March, impacted operations, principally in health-related services, where a number of facilities were damaged.

By segment, the Digital Entertainment segment recorded favorable sales of SNS games, including *DRAGON COLLECTION* and *SENGOKU COLLECTION*.

In addition to video slot machines, an area in which we have special strengths as a machine manufacturer, the Gaming & Systems segment also made aggressive efforts in mechanical slot machines. In an environment marked by the appreciation of the yen, the segment achieved a record high level of profit.

In the Pachinko & Pachinko Slot Machines segment, we recorded strong sales of pachinko slot machines based on the *Castlevania II* series and other Konami Group content. Sales of LCDs units for pachinko machine manufacturers were also strong.

In the Health & Fitness segment, we worked to increase profitability through the provision of services for increasingly health-conscious customers and through the improvement of our cost structure. However, the Great East Japan Earthquake caused damage to a number of KONAMI facilities in the Kanto and Tohoku regions, and as a result operations at certain facilities have been suspended for an extended period.

Consequently, for the fiscal year ended March 31, 2011, consolidated net revenues were down 1.6%, to ¥257,988 million; operating income was up 11.4%, to ¥20,791 million; and net income attributable to KONAMI CORPORATION was down 2.9%, to ¥12,934 million.

# The Konami Group's Response to the Great East Japan Earthquake

We would like to express our deepest condolences to all those who suffered from the Great East Japan Earthquake.

To assist in the provision of relief for the people affected by the earthquake and in the recovery of the disaster-stricken areas, the Konami Group donated ¥100 million, with donations also collected from the Konami Group employees.

In addition, in response to the shortage of electricity, we have implemented a range of electricity-saving measures. For example, we have turned off exterior advertising, adjusted air conditioning temperature settings, promoted the Cool Biz initiatives, introduced work shifts to reduce electricity consumption, and restricted electricity usage for non-essential interior lighting.

**Moreover, the following initiatives were implemented through each operational area.**

- Messages of support
- Sales of charity items from which the proceeds are donated
- Collection of donations at all Konami Group facilities

All of the contributions received through initiatives to support the recovery efforts were provided to the Japanese Red Cross Society.



[http://www.konami.jp/kojima\\_pro/together\\_japan/](http://www.konami.jp/kojima_pro/together_japan/)  
Ganbarou JAPAN-TOGETHER JAPAN-  
Includes messages, specially designed Japanese characters for "reconstruction," and support-related illustrations.



<http://www.konami.jp/loveplus/message/>  
Includes support-related illustrations and voices of *Manaka, Rinko, and Nene*.



<http://www.konami.jp/gs/game/pawa/message.html>  
Includes support-related messages and illustrations on the PAWAPURO web site.



*Quiz Magic Academy* 8 charity items are donated.  
Ganbarou Japan (Stay Strong Japan) T-shirt

## Stock Information (As of March 31, 2011)

Common Stock	
Authorized:	450,000,000 shares
Outstanding:	143,500,000 shares (including 7,359,029 treasury shares)
Number of shareholders:	57,331

### The 10 Largest Shareholders

Shareholder's Name	Shares (Thousands)	% of Total
Kozuki Foundation For Sports and Education	15,500	11.39
Kozuki Holding	15,000	11.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,709	7.13
Japan Trustee Services Bank, Ltd. (Trust Account)	8,533	6.27
Kozuki Capital Corporation	7,036	5.17
Sumitomo Mitsui Banking Corporation	4,140	3.04
JPMorgan Securities Japan Co., Ltd.	3,765	2.77
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,720	2.00
KONAMI SHAIN MOCHIKABUKAI	1,468	1.08
Mizuho Securities Co., Ltd.	1,364	1.00

Note: The above shareholding ratios are calculated after the deduction of treasury shares (7,359 thousand shares).

## Corporate Data (As of March 31, 2011)

Company Name	KONAMI CORPORATION
Representative Director, Chairman and President	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">http://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	June
Record Date for Shareholders	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/English/index.html">http://www.sumitomotrust.co.jp/English/index.html</a>
Public Notices	Shown on the Company website. <a href="http://www.konami.co.jp/en/ir/">http://www.konami.co.jp/en/ir/</a>
Stock Exchange Listings	Tokyo, New York, and London

### For ADR Holders

#### Depository and Transfer Agent for American Depository Receipts:

JPMorgan Chase Bank, N.A.  
1 Chase Manhattan Plaza, Floor 58, New York, NY 10005, 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.