

## **NOTICE OF THE 36<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Stock Code Number: 9766

June 5, 2008

Dear Shareholder,

You are cordially invited to attend the 36<sup>th</sup> Ordinary General Meeting of Shareholders, which will be held as described hereunder.

If you are unable to attend the meeting, you may exercise your voting rights in one of the following ways specified below. Please exercise your voting rights after reviewing the reference materials for the General Meeting of Shareholders contained herein.

### Voting by mail

To vote by mail, please complete the voting forms enclosed indicating “for” or “against” for each agenda item, and return the completed form to us no later than 6:00 p.m. on Thursday, June 26, 2008.

### Voting via the Internet

To vote via the Internet, please read carefully the item entitled “Instructions for the Exercise of Voting Rights” on page 3, and exercise your voting rights. Your vote via the Internet must be received by 6:00 p.m. on Thursday, June 26, 2008.

Sincerely yours,  
Kagemasa Kozuki  
Representative Director  
KONAMI CORPORATION  
7-2, Akasaka 9-chome, Minato-ku, Tokyo

## MEETING AGENDA

1. Date and Time: 10:00 a.m., Friday, June 27, 2008
2. Venue: “Arena”, Main Office of Konami Sports Club, 10-1, Higashi Shinagawa 4-chome, Shinagawa-ku, Tokyo
3. Agenda:
  - Reports
    1. Business Report, Consolidated Financial Statements for the 36<sup>th</sup> fiscal year (from April 1, 2007 to March 31, 2008); and on the Reports of the Independent Auditor and of the Board of Statutory Auditors regarding Consolidated Financial Statements for the 36<sup>th</sup> fiscal year.
    2. Financial Statements for the 36<sup>th</sup> fiscal year.
  - Proposals
    - Proposal 1 Amendments to the Articles of Incorporation
    - Proposal 2 Election of seven members to the Board of Directors
4. Other matters regarding the exercise of voting rights:
  1. If there is no description of “for” or “against” for each agenda item in your voting forms by mail, we will consider it as indicating “for”.
  2. In case any amendments or changes are made to the reference materials for the General Meeting of Shareholders, business report, financial statements and consolidated financial statements prior to the date of the meeting, KONAMI CORPORATION shall notify its shareholders via KONAMI CORPORATION’s web site ([www.konami.co.jp](http://www.konami.co.jp)).

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\* If attending the meeting in person, please remember to bring the ballot enclosed with these materials and hand it to the receptionist.

[This is an English translation of the Report for the 36th Fiscal Year (the “Report”) of Konami Corporation provided for your reference and convenience. This translation includes a translation of the audit report of KPMG AZSA & Co., Konami’s independent auditor, of the financial statements included in the original Japanese language Report.]

## Instructions for the Exercise of Voting Rights

If you are unable to attend the meeting, you may exercise your voting right by following one of the procedures described below. ADR holders cannot vote in this manner. Please contact the ADR Depository if you wish to vote.

### 1. Exercise of your voting rights via the Internet

1) Shareholders may only exercise their voting rights online through the dedicated voting website designated by KONAMI CORPORATION.

**Voting website URL: <http://www.webdk.net>**

- 2) Shareholders choosing to exercise their voting rights online need to use the voting code and password specified on the enclosed voting form. Once you have entered the site, please vote for or against the resolution by following the instructions on screen.
- 3) Online votes may be accepted up to **6:00 p.m. on Thursday, June 26, 2008**. However, shareholders are kindly requested to register online votes as early as possible to facilitate the counting of online votes.
- 4) If you duplicate your vote, i.e., if you exercise your voting rights both by voting forms and via the Internet, we will consider only the Internet vote to be valid.
- 5) If you vote a number of times over the Internet, we will consider the final vote to be the valid one.
- 6) Any connection fees to the Internet providers or time charges (telephone charges, etc.) incurred by shareholders in exercising votes online are to be borne by such shareholders.

### 2. Exercise of voting rights using the electronic voting rights exercise platform

If you are a nominee shareholder such as a trust bank (including a standing proxy) and apply in advance to use the electronic voting platform operated by ICJ, Inc., a joint venture established by TSE and others, you are entitled to use the platform as a method for exercising your voting rights in addition to the aforementioned exercise of your voting rights electronically via the Internet.

### System requirements for voting by electronic means

The following are systems requirements for accessing voting website.

- (1) Internet access.
- (2) Shareholders choosing to exercise their voting rights using a PC should note that the site only supports the following browser software: Microsoft® Internet Explorer 5.5 SP2 or above, Netscape® 6.2 or above. The site supports any hardware platform running the software specified above.
- (3) Shareholders choosing to exercise their voting rights using a mobile phone should note that a handset model that supports 128-bit SSL (encrypted) communication is required (for security reasons, the site has been designed only to be accessible by mobile phones with 128-bit SSL encryption technology).

(Microsoft® is a registered trademark in the United States and other countries of Microsoft Corporation of the U.S. Netscape® is a registered trademark in the United States and certain other countries of Netscape Communications Corporation.)

## **1. Business Performance**

### **(1) Konami Group Business Conditions and Results**

In the consolidated fiscal year 2008, and with regard to the Japanese economy, in spite of the decline in consumer spending, the economy maintained a mild trend toward recovery along with the growing corporate earnings against a background of strong overseas demand in newly developing countries and countries with natural resources. In the global scene, there were concerns about the effects of the slowdown of the U.S. economy and the fallout from the subprime loan crisis. While a slight slowdown was observed in the European economy due to declines in personal consumption, solid foreign demand secured a moderate expansion overall. In China, despite concerns over inflation, economic growth continued steadily.

In the entertainment industry which KONAMI CORPORATION and its subsidiaries (“Konami”) operates, the market for home video game software thrived. The prevalence of new hardware for console platforms and handheld machines, along with a growing number of users, led to record high sales in the domestic Japanese market.

In the health industry, the demand for products and services to maintain and promote good health is expected to climb further in the future. Households and corporations are focusing more closely than ever on the “metabolic syndrome,” and the country has launched a program for “designated checkups and health guidance” in April 2008, as a measure to prevent lifestyle diseases.

According to these conditions, in our Digital Entertainment segment, the soccer game series in the home video game software enjoyed strong sales mainly in Europe, recording the series highest unit sales ever. Also, major titles for card games and products for amusement arcades had favorable sales.

In our Health and Fitness segment, we have taken steps to improve various health support services. To respond to the growing interest in improved fitness and avoidance of the need for nursing care, we have introduced an IT health management system in our directly managed facilities. Also, we have developed programs with a focus on balancing “exercise” and “nutrition,” and enhanced our lineup of health products. Meanwhile, our expertise and track record in running outsourced facilities are now widely recognized throughout Japan, contributing to an increase in the number of our outsourced facilities.

In our Gaming and System segment, we have steadily expanded our lineup of products, mainly to cater to the growing North American market and worked to strengthen our operating bases. Through these efforts, sales of slot machines and casino management systems have increased steadily.

In terms of financial performance, for the consolidated year ended March 31, 2008, net revenues amounted to ¥297,402 million (a year-on-year increase of 6.1%), operating income was ¥33,839 million (a year-on-year increase of 20.2%), income before income taxes was ¥32,834 million (a year-on-year increase of 19.1%), and net income was ¥18,345 million (a year-on-year increase of 13.2%).

## Performance by business segment

### Digital Entertainment

#### *Computer and Video Games business.*

We recorded strong domestic sales for various products, including titles in our forte genre of sports *PROYAKYU SPIRITS 4*, *JIKKYOU PAWAFURU PUROYAKYU 14*, *J.LEAGUE Winning Eleven 2007 CLUB CHAMPIONSHIP* and *WORLD SOCCER Winning Eleven 2008* and hit anime titles such as the *KIRARIN ☆REVOLUTION* series. In Europe, sales of *PRO EVOLUTION SOCCER 2008* surpassed the strong sales recorded by its predecessor in the *PRO EVOLUTION SOCCER* series. The *DanceDanceRevolution* series remains as popular as ever in North America, particularly the briskly selling *DanceDanceRevolution HOTTEST PARTY* debuted for Wii this year.

#### *Toy & Hobby business.*

Our mainstay the *YU-GI-OH! TRADING CARD GAME* series continued to sell well worldwide. The *BUSOUSHINKI* action figures were also popular among users, with growing sales throughout the year.

#### *Amusement business.*

In the video game segment, *MAH-JONG FIGHT CLUB* series continued selling steadily via the amusement arcades utilizing the *e-AMUSEMENT* system. Other strong-selling releases included *BASEBALL HEROES 3* (played with baseball cards with portraits of professional baseball players), *QUIZ MAGIC ACADEMY V* (a nationwide online quiz series), *WORLD SOCCER Winning Eleven ARCADE CHAMPIONSHIP 2008* (an arcade version of the *WORLD SOCCER Winning Eleven* series), and our mainstay music game *pop'n music16*. In the token-operated game segment, *GRANDCROSS* (an extra-large token-operated game machine) and *SPINFEVER* (a mid-sized pusher game) were warmly received by the market.

#### *Online business.*

Mobile contents distribution grew steadily as a global business via major domestic carriers and major overseas carriers. Also, in January 2008, we started distributing *METAL GEAR SOLID MOBILE*, a mobile phone game installment in full 3D graphics.

#### *Multimedia business.*

A number of newly released guides, books, music CDs, and other merchandise tied in with popular game software have sold well.

In terms of financial performance, consolidated net revenues of this segment amounted to ¥178,939 million (a year-on-year increase of 8.4%).

## Health & Fitness

### *Operation of fitness clubs.*

We are striving to offer higher quality services through IT-enabled health management systems and improved programs. More clubs installed the *e-XAX* IT health management systems to help members keep track of their individual exercise histories and manage data on their fitness progress. Further efforts also went into promoting various programs, including a lifestyle disease prevention program called 6WEEKS and a diet program called *Biometrics*. Complimentary services which started in July 2007 were targeted for particular members of the facility membership. However, to add value, in March 2008, those services were widened to target all members of the monthly membership.

### *Operation of sports facilities outsourced to us.*

The facilities are expanding with eight new facilities added, in locations such as Spark Ayukawa (Ibaraki) and Wing Arena Kariya (Aichi). Konami runs these facilities based on its extensive know-how and proven record of achievement in the operation of public facilities, and thus plays an active role in helping local residents get in better shape. As a result, as of March 31, 2008, the number of fitness clubs run either directly or outsourced to us totaled 319 throughout Japan.

### *Health products.*

A range of our original services were developed, including the TV-linked health management tool *Kenshin Keikaku TV*, the computer software program for health management *Kenshin Keikaku 2*, and the multifunctional USB pedometer *e-walkeylife2*. In February 2008, we started sales of *Collagen Cristal Ottimo*, our original supplement, at pharmacies, drugstores, and Konami fitness clubs nationwide. We are steadily expanding our product lineup to cater to diversifying health needs.

In terms of financial performance, consolidated net revenues of this segment amounted to ¥86,544 million (a year-on-year decrease of 2.2 %).

## Gaming & System

A growing number of jurisdictions are legalizing gaming, while existing markets continue to expand steadily. Under these conditions, sales of the *K2V* series slot machines and *Konami Casino Management System* continued to sell well in North America. At the Global Gaming Expo (G2E) 2007, the world's biggest gaming show held in Las Vegas in November 2007, Konami exhibited and released a new mechanical 5-reel slot machine called *Advantage 5*. This *Advantage 5* received favorable reviews, and sales of the product grew steadily.

Meanwhile, in Australia's casino market, despite the cap imposed on the number of machines that can be installed in major states and the effects of the new smoking restrictions at pubs and the latest amendments of the tax law, we have continued to provide new products while striving to enhance our services to current customers. We also plan to endeavor to acquire new customers while promoting sales in developing countries in regions such as Asia and Europe.

We worked to add value to *Konami Casino Management System* by concluding strategic alliances with other companies and also promoted the development of new merchandise from three regional bases: North America, Australia, and Japan. Products were exhibited at the International Casino Exhibition (ICE) held in London in January 2008. We also exhibited slot machines and system products developed and manufactured in North America and Australia. The biggest crowd pleasers included the widely acclaimed *Advantage 5* (introduced in North America), Konami's original highly popular progressive products, and *Konami Casino Management System* with its added value.

In terms of financial performance, consolidated net revenues of this segment amounted to ¥18,471 million (a year-on-year increase of 10.3%).

## (2) Capital Expenditures and Financing Activities

Capital expenditures in the consolidated fiscal year ended March 31, 2007 totaled ¥13,732 million. Principal capital investments were for office equipment due to a transfer of headquarters and for sports and fitness club facility renovations.

With respect to financing, funding requirements for the above capital expenditures and so forth were financed by cash and deposits on hand, cash flow from operating activities and debts from financial institutions. In September 2007, the Company redeemed its No.5 straight corporate bonds (¥15.0 billion) in September 2006 and No.2 Konami Sports & Life Co., Ltd. straight corporate bonds (¥5.0 billion) in December 2007 using cash reserves (¥15.0 billion in Total). In November 2006, the Company has established a 5-year commitment line (¥20.0 billion) for the purpose of securing the liquidity in hand to flexibly meet financing demands. In coming years, the Company will secure funds for the redemption of No.3 Konami Sports & Life Co., Ltd. straight corporate bonds (¥5.0 billion) to mature in December 2008 and will continue to endeavor to secure adequate short-term liquidity and credit lines for fund raising to finance dynamic business development.

## (3) Trend of Assets and Business Results

### 1. Financial and business results of the Konami Group (U.S. GAAP)

(Millions of yen, except per share data)

Years ended March 31	2005	2006	2007	2008
Net revenues	260,691	262,137	280,279	297,402
Operating income (loss)	28,136	2,481	28,145	33,839
Net income (loss)	10,486	23,008	16,211	18,345
Basic net income (loss) per share (yen)	87.41	175.86	118.15	133.63
Total assets	304,321	302,637	304,657	319,248
Total net assets	105,857	163,815	174,662	182,759

#### Notes:

1. Financial and business results of the Konami Group is prepared in conformity with the accounting principles and procedures and indication methods which are required for the issue of American Depository Receipts (ADR), namely, the U.S. generally accepted in the United States (U.S. GAAP).
2. In the year ended March 31, 2006, tangible fixed assets and other intangible fixed assets of Health & Fitness Business were appraised by an independent appraisal company in the U.S., and resulting in a write off for impairment of assets of ¥19,713 million for which the book value exceeded fair value.

## 2. Financial and business results of the Company (Japanese GAAP)

(Millions of yen, except per share data)

Years ended March 31	2005	2006	2007	2008
Operating income	134,117	122,591	7,196	25,478
Ordinary income	13,447	19,291	1,278	20,475
Net income (loss)	12,794	16,572	988	17,395
Basic net income (loss) per share (yen)	105.33	124.75	7.16	126.70
Total assets	187,798	202,303	168,423	178,565
Total net assets	111,423	153,339	139,179	149,272

Note: The Company spun off its digital entertainment business and shifted to a pure holding company system on March 31, 2006. Therefore, the figures indicated for the 35<sup>th</sup> accounting term are figures for the holding company.

### **(4) Issues for the Konami Group**

#### Building a powerful organization capable of responding to changing market conditions

In the Digital Entertainment, Health & Fitness, and Gaming & System markets in which Konami operates, considerable progress has been made in developing a network environment. In the process, users have come to share information of every variety, and different communities have emerged to serve ever more diverse tastes.

Konami has clearly separated its management and execution functions by adopting a holding company structure, in order to evolve into a flexible and speedy organization with ability to adapt to the rapidly changing market environment. In promoting globalization in each segment of our business, we have introduced a system whereby each Konami director assumes ultimate responsibility in the markets of each region, in order to ensure more accurate responses to the needs of various markets, effective as of FY2005. To secure our ability to respond more swiftly in each business, we have adopted a system whereby each director assumes ultimate responsibility in each business, effective as of April 2008. We believe that this will enable us to be more flexible and swift in our decision-making and speedier in our business management.

#### Expanding profitability and channeling management resources into growth areas

All hardware manufacturers in the Digital Entertainment business have now released new gaming platforms for video game consoles, and with its own distinctive features, each of these platforms offers a new way to play. As a result, users who formerly had little interest in video games are now attracted to the market which resulted to expand the user base. Moreover, previously a single home gaming platform was the market leader worldwide, but that pattern has been changed. Whichever platform best caters to users' preferences in a particular country or region, in terms of the games available to be played on it, is now the one that will dominate the local market.

Online access is now available on a multitude of platforms, including home gaming platforms, commercial platforms, cell phones, and PCs and more and more users these days are looking for a new way to play games, in a way that allows them to make contact with others over a network.

According to the needs of 'diversity' and 'globalization', a worldwide business execution system called "global operating officer system," was introduced. We have appointed staff with authorities that cross over

the borders of business corporations in various areas, to production, sales, and management positions. Under this system, business can be pursued with a more global approach.

In our Health & Fitness field, as health awareness grows and the amount of leisure time on people's hands increases with the retirement of the baby boomers, we have accelerated the opening of Konami Sports Clubs and expanded the operation of facilities outsourced to us. With the aim of enhancing its fitness facility-related services, Konami acquired shares of Sportsplex in March 2008, thereby making Sportsplex a consolidated subsidiary. Sportsplex operates 13 fitness clubs in the Tokyo metropolitan area and provides high-quality services at facilities in front of and near railway stations.

In order to achieve further growth down the road, we also plan to take other aggressive steps to create value. Specifically, we expect to enhance our proprietary health management system, which assists people in their efforts to get fit by keeping an ongoing record of their exercise history in various real-life situations at sports clubs, outside the home and in the home and managing data on their health. We expect to market supplements as well.

As for the casino market in which our Gaming & System segment operates, the number of casinos has been increasing yearly as gaming is legalized in more and more countries and regions across the globe. We therefore believe that business opportunities continue to increase for Konami as a manufacturer and vendor of slot machines and provider of services for casino management systems. We also intend to improve our business results in this field by pursuing options like strategic alliances with other companies.

In addition to our Digital Entertainment segment, Health & Fitness segment and Gaming & System segment, Konami plans to channel optimum management resources to new business fields where growth is expected in the medium to long-term.

**(5) Principal Business** (as of March 31, 2008)

The principal businesses of the Konami Group are as shown below:

- 1. Digital Entertainment Business* Production, manufacture and sale of computer & video games, toys & hobby, amusement, online, multimedia and other digital contents and related products
- 2. Health & Fitness Business* Management of fitness centers / Production, manufacture and sale of fitness machines and health service products
- 3. Gaming & System Business* Production, Manufacture, sale and service of gaming machines and Casino Management System for casinos.

**(6) Main Konami Group Offices** (as of March 31, 2008)

Holding company

KONAMI CORPORATION Minato-ku, Tokyo

Operating companies in Japan

Konami Digital Entertainment Co., Ltd.	Minato-ku, Tokyo
Konami Sports & Life Co., Ltd.	Minato-ku, Tokyo
KPE, Inc.	Zama, Kanagawa
Konami Real Estate, Inc.	Minato-ku, Tokyo
Internet Revolution Inc.	Minato-ku, Tokyo
HUDOSN SOFT CO., LTD.	Minato-ku, Tokyo

Operating companies overseas

Konami Digital Entertainment, Inc.	USA
Konami Gaming, Inc.	USA
Konami Australia Pty Ltd	Australia
Konami Digital Entertainment B.V.	Holland
Konami Digital Entertainment GmbH	Germany
Konami Digital Entertainment Limited	Hong Kong
Konami Software Shanghai, Inc.	Shanghai, China

Note: Locations are of each company's headquarters.

**(7) Employees** (as of March 31, 2008)

1. Konami Group

	Number of Employees	Change from End of Previous Term
Digital Entertainment Business	3,074	343
Health & Fitness Business	1,611	110
Gaming & System Business	355	24
Other Business	221	(55)
Entire Company (corporate staff)	211	(131)
Total	5,472	291

Notes: 1. Employees include all persons on the Konami Group payroll.

2. Employees classified as corporate staff for the entire Company are administrative staff not assigned to any particular business segment.

## 2. KONAMI CORPORATION

Number of Employees	Change from End of Previous Term
73	52

Note: Employees include all persons on the parent company payroll.

### (8) Major Subsidiaries (as of March 31, 2008)

#### 1. Major subsidiaries

Company	Capital	Equity Ratio (%)	Major Businesses
Konami Digital Entertainment Co., Ltd.	¥26,000 million	100.0	Planning, production, manufacture and sale of online games, consumer-use video games, amusement machines, toys, card games, content for mobile phones, music CDs and DVDs, books, magazines, etc.
Konami Sports & Life Co., Ltd.	¥11,000 million	100.0	Operation of sports clubs; planning, production, and sales of health and fitness-related products and services
KPE, Inc.	¥1,000 million	100.0	Production, manufacturing and sale of liquid crystal units for pachinko machines
Konami Real Estate, Inc.	¥10,000 million	100.0	Real estate leasing and management
Internet Revolution Inc.	¥1,250 million	(70.0) 70.0	Operation of portal sites
HUDSON SOFT CO., LTD.	¥5,064 million	53.9	Planning, manufacture and sales of content for mobile phones and online games, and software for consumer-use games
Konami Corporation of America	US\$35,500 thousand	100.0	Holding company in the United States
Konami Digital Entertainment, Inc.	US\$21,500 thousand	(100.0) 100.0	Production and sales of consumer-use video game software in U.S.A.
Konami Gaming, Inc.	US\$25,000 thousand	(100.0) 100.0	Production, manufacture and sales of gaming machines in U.S.A.
Konami Digital Entertainment B.V.	Eur 9,019 thousand	100.0	Sales of toys, hobby products and products for amusement facilities in Europe
Konami Digital Entertainment GmbH	Eur 5,113 thousand	(100.0) 100.0	Sales of consumer-use video game software in Europe
Konami Digital Entertainment Limited	HK\$19,500 thousand	100.0	Sales in Asia
Konami Software Shanghai, Inc.	US\$2,000 thousand	100.0	Production of consumer-use video game software in Asia
Konami Australia Pty Ltd	A\$30,000 thousand	100.0	Production, manufacture and sales of gaming machines in Australia

Notes:

1. Percentage of Total shown in parentheses is indirect ownership percentages, and is included in the percentage indicated in the second line.
2. Konami Digital Entertainment Co., Ltd. merged in April 2007 with Konami Career Management, Inc., Konami School, Inc. and Megacyber Corporation.
3. In March 2008, the Company acquired shares of Sportsplex Japan Co., Ltd. and made it a consolidated subsidiary.

## 2. Scope of consolidation

The Company consolidates 23 companies, including the 14 major subsidiaries listed above, and applies the equity method to one affiliated company.

An overview of our consolidated financial results is as shown in “1. Business Performance, (1) Konami Group Business Conditions and Results.”

### (9) Major lenders (as of March 31, 2008)

Lender	Amount of loans (millions of yen)
Sumitomo Mitsui Banking Corporation	1,211
Mizuho Corporate Bank, Ltd.	177

## 2. Status of shares of the Company

Status of Shares (as of March 31, 2008)

1. Number of shares authorized	450,000,000
2. Number of shares outstanding	143,500,000

(Note) Due to a cancellation of stock on March 31, 2008, the total number of shares outstanding decreased by 55,786 shares to 143,500,000 shares.

3. Number of shareholders	42,122
4. The 10 Largest shareholders	

	Shareholders' Investment in the Company	
	Number of Shares (thousands)	Percentage of Total (%)
Kozuki Foundation for Sports and Education	14,330	10.44
Kozuki Holding B.V.	13,530	9.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,840	8.62
Japan Trustee Services Bank, Ltd. (Trust Account)	11,058	8.05
Kozuki Capital Corporation	7,036	5.12
Deutsche Scurities Inc.	4,259	3.10
Sumitomo Mitsui Banking Corporation	4,135	3.01
JPMorgan Chase & Co. 380055	3,869	2.82
BNP PARIBAS Securities (Japan) Ltd.	2,770	2.02
Société Générale Securities Limited, Tokyo Branch	2,378	1.73

Note: The above percentages are calculated after the deduction of treasury stocks (6,178,000 shares).

### 3. Officers of the Company

#### (1) Directors and Corporate Auditors (as of March 31, 2008)

Position	Name	Areas of responsibility and primary duties, and the status of representation of other companies
Representative Director	Kagemasa Kozuki	Chairman of the Board and CEO
Representative Director	Kagehiko Kozuki	Chairman and Representative Director, Konami Sports & Life Co., Ltd.
Representative Director	Noriaki Yamaguchi	Vice President, CFO
Director	Kimihiko Higashio	CAO
Director	Tomokazu Godai	Representative Director and Chairman of the Board, MAYATEC Co., Ltd.
Director	Hiroyuki Mizuno	Director, Hiroshima Prefectural Institute of Industrial Science and Technology (Former Vice President, Matsushita Electric Industrial Co., Ltd.)
Director	Akira Gemma	Senior Corporate Adviser, SHISEIDO Co., Ltd. (Former Representative Director and President, SHISEIDO Co., Ltd.)
Standing Corporate Auditor	Noboru Onuma	(Former Director, Sumitomo Mitsui Banking Corporation)
Corporate Auditor	Tachio Ohori	(Former Commissioner of Metropolitan Police Department)
Corporate Auditor	Masaru Mizuno	Senior Advisor, Japan Tobacco Inc. (Former Commissioner, National Tax Agency; Former President, Japan Tobacco Inc.)
Corporate Auditor	Shogo Sasabe	President, Kobe Pharmaceutical University (Former President, BANDO CHEMICAL INDUSTRIES LTD.)

Note 1: At the 35th Ordinary Meeting of Shareholders held on June 28, 2007, Messrs. Tachio Ohori, Masaru Mizuno and Shogo Sasabe were newly elected and assumed the post of Corporate Auditor.

Note 2: As of the conclusion of the 35th Ordinary Meeting of Shareholders held on June 28, 2007, Mr. Tsutomu Takeda resigned as Director and Messrs. Tetsuro Yamamoto, Minoru Nagaoka and Masataka Imaizumi resigned as Corporate Auditors all due to the expiration of their term, respectively.

Note 3: Messrs. Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma, Director, are the external director provided in Item 15 of Article 2 of the Corporate Law.

Note 4: Messrs. Noboru Onuma, Tachio Ohori, Masaru Mizuno and Shogo Sasabe, Corporate Auditor, are the external corporate auditor provided in Item 16 of Article 2 of the Corporate Law.

Note 5: Standing Corporate Auditor Mr. Noboru Onuma has experience fostered over many years in financial institutions and possesses a keen insight in the areas of finance and accounting.

Note 6: Corporate Auditor Mr. Masaru Mizuno served as Commissioner of the National Tax Agency and possesses a keen insight in the areas of finance and accounting.

**(2) Total Amount of Remuneration, etc. Paid to Directors and Corporate Auditors**

Category	Number of paid officers	Amount of payment
Director (External Directors included)	7 (3)	¥536 million (¥34 million)
Corporate Auditor (External Corporate Auditors included)	4 (4)	¥38 million (¥38 million)
Total	11	¥575 million

Note: The amount of remuneration, etc. for directors does not include an amount equivalent to employee's salary is paid to an employee and director.

### (3) External officers

#### 1. Officers concurrently holding the post of the officer of other companies

Category	Name	Name of other companies in which the post of officer is concurrently held	Post of officer which is concurrently held	Relation with the Company
Director	Tomokazu Godai	Konami Sports & Life Co., Ltd.	External Director	A subsidiary of the Company
		MAYATEC Co., Ltd.	Representative Director and Chairman of the Board	No important business relationships with the Company
	Hiroyuki Mizuno	MegaChips Corporation	External Director	No important business relationships with the Company
	Akira Gemma	Kirin Holdings Company, Limited	External Director	No important business relationships with the Company
Corporate Auditor	Noboru Onuma	Konami Digital Entertainment Co., Ltd.	External Corporate Auditor	A subsidiary of the Company
		Konami Sports & Life Co., Ltd.	External Corporate Auditor	A subsidiary of the Company
	Shogo Sasabe	The Japan Wool Textile Co., Ltd.	External Corporate Auditor	No important business relationships with the Company

#### 2. Major activities in the fiscal year under review

Category	Name	Major activities
Director	Tomokazu Godai	Attended all the 11 meetings of the Board of Directors held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
	Hiroyuki Mizuno	Attended 10 of the 11 meetings of the Board of Directors held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Akira Gemma	Attended all the 11 meetings of the Board of Directors held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
Corporate Auditor	Noboru Onuma	Attended all the 11 meetings of the Board of Directors and all the 9 meetings of the Board of Corporate Auditors which were held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Tachio Ohori	After his appointment on June 28, 2007, he attended 6 of the 8 meetings of the Board of Directors and 6 of the 7 meetings of the Board of Corporate Auditors which were held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Masaru Mizuno	After his appointment on June 28, 2007, he attended all the 8 meetings of the Board of Directors and all of the 7 meetings of the Board of Corporate Auditors held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Shogo Sasabe	After his appointment on June 28, 2007, he attended all the 8 meetings of the Board of Directors and all of the 7 Board of Corporate Auditors held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.

#### 3. Outline of the limit liability agreement

The Company entered into the agreement with all external directors and external corporate auditors to limit their liabilities as provided in Paragraph 1 of Article 423 of the Corporate Law subject to a limit which is the total of the amounts provided in all Items of Paragraph 1 of Article 425 of the Corporate Law.

#### **4. Status of accounting auditor**

**(1) Name of accounting auditor:** KPMG AZSA & Co.

#### **(2) Amount of remuneration, etc. paid to the accounting auditor during the fiscal year under review**

1. Amount of remuneration, etc. paid by the Company for the services provided under Paragraph 1 of Article 2 of the Certified Public Accountant Law	¥230 million
2. Total of money and other financial benefits to be paid by the Company and its subsidiaries to the accounting auditor	¥348 million

Note 1. The amounts of remuneration, etc. for the audit based on the Corporate Law and the audit based on the Securities and Exchange Law are not clearly divided, and cannot be divided substantially, based on the auditing agreement between the Company and the accounting auditor. Therefore, the total of these amounts is shown in the amount of remuneration, etc. shown in 1. The Company also underwent an audit based on the Sarbanes-Oxley Act (SOX) of the United States, and its total amount stated.

Note 2. In addition to tasks stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Law, the Company compensates the accounting auditor for tasks related to the drafting of comfort letters at the time of bond issuances.

Note 3. Of the important subsidiaries of the Company, Konami Corporation of America, Konami Digital Entertainment B.V. and six companies underwent an audit (limited to audits based on the provisions of the Corporate Law and the Securities and Exchange Law (including foreign laws and ordinances equivalent to these Laws)) by a certified public accountant or an audit firm (including parties with the same qualification as these in foreign countries) other than the accounting auditor of the Company.

#### **(3) Policy on decision about the dismissal or non-reappointment of an accounting auditor**

When it is acknowledged that an accounting auditor is subject to one of the Items of Paragraph 1 of Article 340 of the Corporate Law, the Board of Corporate Auditors will dismiss the accounting auditor with the approval of all corporate auditors.

Besides the foregoing, when the conduct of a proper audit is deemed difficult because of the occurrence of an event, etc. damaging the eligibility and independence of an accounting auditor, directors will present a proposal on the dismissal or non-reappointment of the accounting auditor to the General Meeting of Shareholders with the approval of the Board of Corporate Auditors or at the request of the Board of Corporate Auditors.

## **5. Systems to ensure appropriate operations**

Matters resolved at a meeting of the Board of Directors as a system for the Company to ensure appropriate business operations are as shown below:

### **(1) Systems to ensure that the execution of the duties of directors conform to laws and ordinances and the Articles of Incorporation**

The Company's basic policy is to maintain good relations with all stakeholders, including shareholders, and to make a social contribution as a good corporate citizen. The Company will establish a comprehensive compliance system, and will strengthen that system. In addition, the Compliance Committee will play a leading role in maintaining and strengthening the compliance system. Specifically, we will ensure the appropriateness of the fulfillment of the duties of directors through the establishment of operational procedures and regulations and the reinforcement of evaluation and monitoring systems.

The Company is effectuating measures to prevent scandals through the formulation of a system of internal communication as a checks-and-balance function against illegal activities. In addition, a system is put in place to eliminate anti-social influences as part of legal compliance efforts. The Company has already made excellent progress with respect to the establishment of internal control systems as required under the Sarbanes-Oxley Act (SOX) of the United States since listing on the New York Stock Exchange.

### **(2) Systems to store and control information on the fulfillment of the duties of directors**

With respect to information on the fulfillment of the duties of directors, we have established an information control regulation and a document control regulation, and a system to store and control properly the information by specifying important documents and clarifying the form of storage.

### **(3) Regulation and other systems for the management of the risk of loss**

To identify and control the risks that surround the Company, we have established a risk management regulation. The Risk Management Committee has played a leading role in establishing and strengthening the systems necessary for risk management. With respect to emergency measures, we will establish a system and the Risk Management Committee will deal with emergency measures under the system based on a crisis management regulation which will be established separately.

### **(4) Systems to secure the effective fulfillment of the duties of directors**

The Company will endeavor to secure the effective fulfillment of the duties of directors by establishing a regulation concerning the division of duties and official authority to clarify the details of duties in which each division is in charge and official authority.

### **(5) Systems to ensure that the fulfillment of the duties of employees conforms to laws and ordinances and the Articles of Incorporation**

The Company is committed to compliance in its corporate philosophy, code of conduct and guidelines for the behavior of officers and employees. These are made known to all staff without exception through the

Company's website and information system. The Compliance Committee plays a leading role in strengthening systems for the application of the corporate philosophy, the code of conduct and guidelines for the behavior of officers and employees.

**(6) Systems to ensure the appropriateness of business as a corporate group consisting of a joint stock company, its parent company and its subsidiaries**

As a pure holding company, the Company will manage the operations of the entire Group through means such as the proper exercise of voting rights, to ensure the proper and balanced conduct of business of each company in the Group. In addition, the Company will proceed with the establishment of an internal control system for each company in the Group. All Group companies will act in unison in such areas as information storage management, risk management and compliance, to ensure the establishment of integrated group management. With respect to the audit system by the Board of Corporate Auditors, we have established a group audit system that centers on the holding company, and will seek to strengthen it further.

**(7) When a corporate auditor asks for the assigning of an employee to assist in the duties of the corporate auditor, matters concerning the employee**

When the Board of Corporate Auditors judges that a person is required to assist in the fulfillment of its duties, the Board of Corporate Auditors may ask for a person with sufficient expertise, such as a member of the internal audit office, to assist in the fulfillment of the duties.

**(8) Matters concerning the independence from directors of the employee set out in the preceding Item**

The Board of Corporate Auditors may express opinions about the appointment, etc. of a person requested by the Board of Corporate Auditors for assistance in the fulfillment of duties. A member of the internal audit office to whom assistance is requested should not receive any instruction from directors concerning this assistance.

**(9) System for a director and an employee to report to a corporate auditor and other systems concerning reports to corporate auditors**

We will establish a regulation providing for matters to be reported by a director or employee to the Board of Corporate Auditors so that any important matter influencing the management and business results may be immediately reported to the Board of Corporate Auditors. A system of internal communications is in place to enable the Board of Corporate Auditors to obtain the reports from employees directly.

#### **(10) Other systems to ensure the effective execution of audits by corporate auditors**

When the Board of Corporate Auditors deems it necessary for the fulfillment of duties, the Board of Corporate Auditors may request experts such as lawyers and certified public accountant to provide opinions and advice.

### **6. Basic policy on control of the Company**

The basic policies of the Company concerning managerial control are as follows:

#### **(1) Basic policy concerning the existence of individuals who determine the Company's financial and business policy**

Under the corporate philosophy “We, the Konami Group of Companies (‘the Group’), aim to be a business group towards which people all around the world have high expectations, through creating and providing people with Valuable Time”, the basic managerial policy of “focus on shareholders” and “maintaining good relationship with stakeholders including shareholders and contribute to society as a corporate citizen” and the specific management policy of “International Standards” “Fair Competition” and “Pursuit of High Profits”, the Group is endeavouring to ensure and improve corporate value and the common interests of shareholders by further aiming to optimize the use of Group management resources and continuously and stably growing and expanding the sources of corporate value of Group companies.

#### **(2) Efforts to advance the realization of basic policy**

In order to maintain and develop this basic policy, the Company recognizes the essential nature of strengthening its corporate governance framework and is working towards formulating a system that always complies with the strictest of norms whenever they are established or revised. For the Company and the Group to respond to the quickly changing market environment, a move was made to a holding company structure on March 31, 2006 and commenced a new style of management under a holding company structure with three main business segments: “Digital Entertainment Business”, “Health & Fitness Business” and “Gaming & System Business”. On the one hand, the holding company is in charge of formulating business strategies for the entire Group and checking the conditions of execution of duties at each company, and on the other, the Group companies effectuate operations one step ahead of changes in the times through timely decision making within their area of business. Also, the Company seeks to realize “Further improvement of transparency of management”, “Structure of expeditious management system” and “System of thorough responsibility for revenue”, which are the merits of a holding company system, at a maximum level, and fulfill the social responsibility of the Group as well as enhance the corporate value of the Group and shareholders’ value.

Through the above efforts, we would like for the Group’s corporate value and shared shareholder interests to be ensured and enhanced and its social responsibilities to be fulfilled.

**(3) Efforts to prevent the control over financial and operational decisions to fall under inappropriate parties based on the basic policy on control of the Company**

***Basic policy with respect to Large-scale Acquisitions***

The Company believes that, since we have decided to have the shares of the Company be available to be sold or purchased through public exchanges, the decision on whether to accept any proposal of a large-scale acquisition of shares in the Company, and accordingly the method of gaining control over the Company, should ultimately be made based on the will of the shareholders. On the other hand, the Company believes that, in order to utilize the accumulated management resources at a maximum level, which is the source of corporate value, construction of the common interests of shareholders and enhancement of the Group's brand value, it is essential to have stable management from a mid-to-long term perspective and sufficient understanding of accumulated management resources. Therefore, we think that if the party controlling the decisions of the Company's financial and business policies lacks sufficient understanding about the Company, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

To enable appropriate judgment on the part of shareholders in response to a Large-scale Acquisition if such were to suddenly occur, we believe that it is very important for shareholders in order to make proper decisions on whether or not to accept a sudden proposal of a large-scale acquisition to ensure the provision of necessary and sufficient information from Board of Directors, as well as time enabling them to make a proper decision which will be achieved by provision of sufficient information by such a large-scale acquirer, and the evaluation and opinion, etc. thereon by the Board of Directors of the Company who have a sufficient understanding of the business characteristics of the Company.

From these points of view, the Company, for the purpose of ensuring and enhancing corporate value and the common interest of shareholders, believes it is necessary for the shareholders of the Company in making a determination that the large-scale acquirer who proposes a large-scale acquisition provide the Board of Directors of the Company with the necessary and sufficient information about such acquisition beforehand, and that there is a certain evaluation period during which the Board of Directors of the Company makes an evaluation before the proposal passes subject to certain rules set forth and disclosed by the Company beforehand.

In light of the foregoing, we believe that in the event that a large-scale acquirer does not comply with the Large-scale Acquisition Rule, or in the exceptional case where there is a possibility that the corporate value or common interest of shareholders of the Company would be significantly impaired even if the large-scale acquirer complies with the Large-scale Acquisition Rule, it is necessary to ensure and enhance corporate value and the common interest of shareholders of the Company by taking an appropriate measure to the extent permitted by laws and regulations and the articles of incorporation when it is inappropriate for such large-scale acquirer to be a person who controls the decisions of the Company's financial and business policies.

Based on the above basic policy, the Company has at its disposal countermeasures to be used with respect to Large-scale Acquisitions of the Company shares (takeover defense measures; hereinafter, the "Plan") as a result of a resolution passed by the 35th Ordinary General Meeting of Shareholders held on June 28, 2007 in an effort to ensure and enhance its corporate value and the interests it shares with shareholders.

### ***Outline of the Plan***

The Plan consists of the following: in case that a large-scale acquisition of the Company's shares are conducted, in order to ensure information and the time necessary and sufficient for the shareholders to make an appropriate decision, the Company's Board of Directors may apply the "Large-scale Acquisition Rule" which requires submission of information with respect to the large-scale acquisition and ensures time for evaluation and investigation. In addition, the Large-scale Acquisition Rule requires the Large-scale Acquirer to comply with the rule, and determines the response policy for in case of both compliance and non-compliance of the Large-scale Acquisition Rule by the large-scale acquirer, and if necessary, implements an appropriate countermeasure to protect the Company's corporate value and the common interests of shareholders such as gratis allotment of Stock Acquisition Right with discriminative condition to exercise. In case of non-implementation of countermeasures, a decision of shareholders will be sought after the period stated in the Rule has elapsed.

### ***Targeted Large-scale Acquisition***

The Plan shall be applied if there is an action that falls under (a) or (b) below, or an action or a similar proposal.

- (a) An Acquisition that would result in the holding ratio of share certificates, etc. of a holder amounting to 20% or more of the share certificates, etc. issued by the Company; or
- (b) An acquisition that would result in the owning ratio of share certificates, etc. of share certificates, etc. relating to the acquisition and the owning ratio of share certificates, etc. of a person having a special relationship totaling at least 20% of the share certificates, etc. issued by the Company.

### ***Request for the provision of the Large-scale Acquisition information***

The Company will require any Large-scale Acquirer to submit to the Company's Board of Directors, in a form prescribed by the Company, before effecting the Acquisition, a written undertaking that the Large-scale Acquirer will comply with the procedures established by the Large-scale Acquisition Rule (hereinafter the "Statement of Intention"). Within 10 business days from the receipt of such Statement of Intention, the Board of Directors delivers to the Large-scale Acquirer a list of Large-scale Acquisition information which should be provided initially by the Large-scale Acquirer. If the Company's Board of Directors determines that the information provided is insufficient as Large-scale Acquisition information, it may request the Large-scale Acquirer to provide additional Large-scale Acquisition information.

### ***Deliberation and resolution on the valuation of Acquisition price by the Board of Directors***

In the event the Board of Directors, following as much as possible the recommendations of an independent committee comprising of Outside Directors, Outside Corporate Auditors and influential individuals in society and receiving the advice of independent experts as per need, for a certain set period (in case prices are set only in monetary terms (yen denominated), a period of 60 days from the date the provision of information on the Large-scale Acquisition by the Large-scale Acquirer is complete; for other cases, 90 days), will fully evaluate and review the Large-scale Acquisition information and shall carefully organize and publish the Company's opinion. Further, the Company's Board of Directors may negotiate the terms of the Acquisition with the Large-scale Acquirer as necessary and may present its own alternative plan to the shareholders.

In addition, the Board of Directors shall ultimately decide on whether to implement countermeasures and

immediately disclose information pertaining to their details and other items.

***Countermeasure policy in response to the Large-scale Acquisition***

(a) In the case where a Large-scale Acquirer does not comply with the Large-scale Acquisition Rule

In the case where a Large-scale Acquirer does not comply with the Large-scale Acquisition Rule, the Board of Directors may implement appropriate measures stipulated in the Corporation Law and other legal statutes as well as the Articles of Incorporation as countermeasures against the Large-scale Acquisition. Said measures would include the gratis allotment of share acquisition rights.

(b) In the case where a Large-scale Acquirers complies with the Large-scale Acquisition Rule

If a Large-scale Acquirer complies with the Large-scale Acquisition Rule, the Board of Directors will not, in principle, trigger the countermeasures to the Large-scale Acquisition even if it opposes such Acquisition. However, even if the Large-scale Acquirer complies with the Large-scale Acquisition Rule, when the Large-scale Acquisition is deemed to have a material adverse effect on the corporate value of the Company and the common interests of the shareholders, the Company's board of directors may take appropriate exceptional measures to protect the corporate value of the Company and the common interests of the shareholders as countermeasures to such Acquisition.

**(4) Items supporting the concordance of this response policy to the basic policy on control of the Company, its safeguarding of common shareholder interests and its disregard for the position of Company executive officers and the reasons for same**

a. Establishment of the Independent Committee

In order to eliminate arbitrary triggering by the board of directors of the Company and ensure the fairness and reasonableness of the procedures and decisions, the Company will establish the Independent Committee, which will consist of outside directors, outside auditors or outside experts. The Independent Committee, in its capacity as an advisory body to the Board of Directors, verifies whether the Large-scale Acquisition Rule is complied with, deliberates on the details of the Acquisition as well as the countermeasures and advises the Board of Directors on the merits, or lack thereof, of implementing countermeasures.

b. Placing value on the intent of shareholders

The Company will introduce the Plan subject to approval by the shareholders at the Ordinary General Meetings of Shareholders in order to reflect the intent of the shareholders on the Plan.

c. Advice of outside experts

The board of directors, auditors and the Independent Committee of the Company may obtain advice from independent experts such as financial advisors, certified public accountants, lawyers, consultants, etc. at the Company's expense, in order to enhance the fairness and reasonableness of the consideration and decisions by the Board or Directors, Auditors and the Independent Committee.

d. Establishment of reasonable objective requirements

The countermeasures of the Plan are established so that they will not be triggered unless the predetermined reasonable objective requirements have been satisfied, and maximum value will be placed on recommendation of the Independent Committee, to ensure a structure to eliminate arbitrary triggering of

countermeasures by the board of directors of the Company.

e. No dead-hand takeover defense measures

The effective period of the Plan is 3 years from the conclusion of the 35th Ordinary General Meeting of Shareholders held on June 28, 2007 to the conclusion of the Ordinary General Meeting of Shareholders relating to the fiscal year ending March 2010. However, the Plan may be abolished by the Board of Directors even during the effective period.

From the above, it is determined that the actions provided in (3) are in line with the basic policy outlined in (1), are not detrimental to the common interests of shareholders and do not support the position of the executive officers of the Company.

To view the full version of the Plan, please access the Company's website on the Internet as follows:  
(<http://www.konami.co.jp/en/news/topics/070522/index.pdf>)

## **7. Policy on decisions about dividends from retained earnings, etc.**

The Company believes that high, stable dividends and improved corporate value are important benefits we can return to our shareholders. We believe that the use of retained earnings to invest in highly promising areas enables a continuous strengthening of the Company's growth potential and its competitive power.

We paid an interim dividend of ¥27 per share on November 30, 2007. Combined with a final dividend of ¥27 per share, we shall distribute an annual dividend of ¥54 per share for the fiscal year under review.

**Consolidated Balance Sheet**  
(As of March 31, 2008)

(Millions of yen)

<b>ASSETS:</b>		<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>	
<b>Current assets</b>	<b>¥140,079</b>	<b>Current liabilities</b>	<b>¥75,113</b>
Cash and cash equivalents	52,130	Current portion of long-term debt and capital lease obligations	8,115
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥260 million at March 31, 2008	33,802	Trade notes and accounts payable	20,410
Inventories	24,374	Accrued income taxes	9,523
Deferred income taxes, net	18,275	Accrued expenses	21,934
Prepaid expenses and other current assets	11,498	Deferred revenue	7,848
		Other current liabilities	7,283
<b>Property and equipment, net</b>	<b>¥66,690</b>	<b>Long-term liabilities</b>	<b>¥57,052</b>
		Long-term debt and capital lease obligations, less current portion	35,613
<b>Investments and other assets</b>	<b>¥112,479</b>	Accrued pension and severance costs	2,699
Investments in marketable securities	659	Deferred income taxes, net	11,559
Investments in affiliates	6,414	Other long-term liabilities	7,181
Identifiable intangible assets	38,161		
Goodwill	21,935	<b>Total liabilities</b>	<b>¥132,165</b>
Lease deposits	28,205		
Deferred income taxes, net	2,687	<b>Minority interest in consolidated subsidiaries</b>	<b>¥4,324</b>
Other assets	14,418	<b>Commitments and contingencies</b>	
		<b>STOCKHOLDERS' EQUITY:</b>	
		<b>Common stock</b>	<b>47,399</b>
		<b>Additional paid-in capital</b>	<b>77,078</b>
		<b>Legal reserve</b>	<b>284</b>
		<b>Retained earnings</b>	<b>73,492</b>
		<b>Accumulated other comprehensive income</b>	<b>2,579</b>
			<hr/>
		<b>Treasury stock</b>	<b>(18,073)</b>
		<b>Total stockholders' equity</b>	<b>182,759</b>
<b>Total assets</b>	<b>¥319,248</b>	<b>Total liabilities, minority interests and stockholders' equity</b>	<b>¥ 319,248</b>

**Consolidated Statements of Income**  
**(Year ended March 31, 2008)**

(Millions of yen)

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<b>Net revenues</b>	<b>¥297,402</b>
<b>Costs and expenses</b>	<b>263,563</b>
Costs of products sold and services rendered	205,188
Selling, general and administrative expenses	58,375
<b>Operating income</b>	<b>33,839</b>
<b>Other income (expenses)</b>	<b>(1,005)</b>
Interest income	894
Interest expense	(1,105)
Other, net	(794)
<b>Income before income taxes, minority interest and equity in net income of affiliated companies</b>	<b>32,834</b>
<b>Income taxes</b>	<b>13,080</b>
<b>Income before minority interest and equity in net income of affiliated companies</b>	<b>19,754</b>
Minority interest in income of consolidated subsidiaries	1,589
Equity in net income of affiliated companies	180
<b>Net income</b>	<b>¥18,345</b>

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**Consolidated Statements of Stockholders' Equity**  
**(Year ended March 31, 2008)**

(Millions of yen)

	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
<b>Balance at March 31, 2007</b>	¥ 47,399	¥ 77,213	¥ 284	¥ 62,560	¥ 5,617	¥ (18,411)	¥ 174,662
Decrease due to reissuance of treasury stock		(47)					(47)
Decrease due to cancellation of treasury stock		(156)				156	(0)
Stock-based compensation		68				213	281
Net income				18,345			18,345
Cash dividends, ¥ 54.0 per Share				(7,413)			(7,413)
Foreign currency translation adjustments					(2,907)		(2,907)
Net unrealized gains on available-for-sale securities					(25)		(25)
Adjustment on Retirement Benefits					(106)		(106)
Purchase of treasury stock						(31)	(31)
<b>Balance at March 31, 2008</b>	<b>¥ 47,399</b>	<b>¥ 77,078</b>	<b>¥ 284</b>	<b>¥ 73,492</b>	<b>¥ 2,579</b>	<b>¥ (18,073)</b>	<b>¥ 182,759</b>

## **Assumptions underlying preparation of consolidated financial statements**

### **Scope of Consolidation**

1. Number of consolidated subsidiaries: 23
2. Name of principal consolidated subsidiaries
  - Konami Digital Entertainment Co., Ltd.
  - Konami Sports & Life Co., Ltd.
  - KPE, Inc.
  - Konami Real Estate, Inc.
  - Internet Revolution Inc.
  - HUDSON SOFT CO., LTD.
  - Konami Corporation of America
  - Konami Digital Entertainment, Inc.
  - Konami Gaming, Inc.
  - Konami Digital Entertainment B.V.
  - Konami Digital Entertainment GmbH
  - Konami Digital Entertainment Limited
  - Konami Software Shanghai, Inc.
  - Konami Australia Pty Ltd

### **Application of the Equity Method**

1. Number of equity-method affiliates: 1
2. Name of the equity-method affiliate: Resort Solution Co., Ltd.

### **Summary of Significant Accounting Policies**

1. Basis of presentation for consolidated financial statements

The consolidated financial statements of the Company have been prepared in accordance with the terminology, format and preparation method used in the accounting principles generally accepted in the United States of America (“U.S. GAAP”), in compliance with Article 148, Paragraph 1 of the Corporate Calculation Regulations. However, in compliance with such article, certain disclosure that is required on the basis of U.S. GAAP is omitted.

2. Methods and standards for the valuation of assets

- (1) Marketable and Investment Securities

Marketable securities and securities held for trading purposes are stated at fair value when readily determinable. Held-to-maturity debt securities are stated at amortized cost after adjustment for any premium or discount. Realized gains and losses from the sale of available-for-sale securities are determined based on the average cost method.

## (2) Inventories

Resalable products, finished products, work-in-process, raw materials and supplies are stated at the lower of cost or market. Cost is determined by the first-in first-out method for merchandise, by the identified-cost method for software, and by averaging for all other items.

## 3. Depreciation methods

Tangible fixed assets are depreciated mainly using the declining balance method while intangible fixed assets are amortized mainly using the straight-line method.

## 4. Accounting standards for material reserves

### (1) Allowance for doubtful accounts

Generally, allowance for doubtful accounts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

## 5. Goodwill and identifiable intangible assets

Goodwill represents the difference between the cost of acquired companies and amounts allocated to the estimated fair value of their net assets. Identifiable intangible assets represent intangible assets related to trademarks, membership lists, gaming licenses, existing technologies, customer relationships and franchise contracts, etc. acquired in connection with acquisitions of subsidiaries. In accordance with SFAS No.142 "*Goodwill and Other Intangible Assets*," reviews are conducted at least once annually to identify any impairment against fair value for goodwill and intangible assets subject to amortization with indefinite useful lives, and a test for any impairment loss is conducted at the end of each consolidated fiscal period. Intangible assets subject to amortization with definite useful lives are amortized over a period of 2–15 years corresponding to the estimated useful life.

## 6. Impairment of long-lived assets

In accordance with SFAS No.144 "*Accounting for the Impairment or Disposal of Long-Lived Assets*," the Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the carrying amount of assets exceeds the estimated future cash flows (undiscounted) for the assets, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

## 7. Accrued pension and severance expense

Accrued pension and severance expense is accounted for in conformity with SFAS No.87 "*Employers' Accounting for Pensions*" and SFAS No.158 "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*". For some plans, as they are defined benefit plan by multiple businesses, it is required that the expense based on the amounts of necessary contributions for each period be recognized as the net pension expenses.

## 8. Accounting standard for share-based payment

Stock-based compensation is accounted for in conformity with SFAS No.123R "*Accounting for Share-Based Payment*."

## 9. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

## 10. Rounding policy

Amounts of less than one million yen are rounded to the nearest unit.

### Changes in Significant Accounting Policies

#### Accounting for Uncertainty in Income Taxes

Konami has adopted FASB interpretation No.48 (FIN48) “Accounting for Uncertainty in Income Taxes,” an interpretation of FASB Statement No.109, effective from fiscal year 2008. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As of April 1, 2007, the application of FIN48 did not have a material effect on the Company’s consolidated financial statements.

### Notes to Consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets ¥71,200 million
2. Accumulated other comprehensive income

A breakdown of accumulated other comprehensive income at the consolidated level in the year ended March 31, 2007 is as follows.

Foreign currency translation adjustments	¥2,267 million
Unrealized gains on available-for-sale securities — net	¥68 million
Adjustments of pension liabilities	¥244 million
<hr/> Accumulated other comprehensive income	<hr/> ¥2,579 million

## Notes to Consolidated Statement of Stockholders' Equity

1. Type and number of shares issued at the end of the consolidated fiscal year under review.

Common stock: 143,500,000 shares

2. Dividends

(1) Dividend payment

Resolution	Type of shares	Total amount of dividends	Dividend per share	Record date	Effective date
Board of Directors meeting held on May 22, 2007	Common stock	3,706	27.00	March 31, 2007	June 11, 2007
Board of Directors meeting held on November 8, 2007	Common stock	3,707	27.00	September 30, 2007	November 30, 2007
Total		7,413			

(2) Of dividends whose record date belongs to the consolidated fiscal year under review, those dividends whose effective date is in the subsequent fiscal year

Resolution	Type of shares	Fund of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Board of Directors meeting held on May 15, 2008	Common stock	Retained earnings	3,708	27.00	March 31, 2008	June 6, 2008
Total			3,708			

3. Type and number of shares subject to stock acquisition rights at the end of the consolidated fiscal year under review (excluding those stock acquisition rights the initial date of the exercise period of which has not yet arrived)

Common stock: 642,918 shares

## Notes to Per Share Data

Net assets per share: ¥1,330.88

Basic net income per share: ¥133.63

Diluted net income per share: ¥133.57

## Notes to Significant Subsequent Events

There is no applicable item.

**Balance Sheet**  
(As of March 31, 2008)

(Millions of yen)

<b>ASSETS:</b>		<b>LIABILITIES:</b>	
<b>Current assets</b>	<b>¥56,957</b>	<b>Current liabilities</b>	<b>¥11,804</b>
Cash and cash equivalents	31,479	Short-term borrowings	8,418
Trade accounts receivable	3,552	Current portion of long-term debt	592
Prepaid expenses	168	Other accounts payable	1,127
Deferred income taxes, net	577	Accrued expenses	264
Short-term loans	18,763	Income taxes payable	1,371
Other accounts receivable	37	Short-term deposits received	30
Income tax receivable	2,190		
Other	209	<b>Long-term liabilities</b>	<b>¥17,487</b>
Allowance for doubtful accounts	(22)	Straight bonds	15,000
		Long-term borrowings	1,146
<b>Fixed assets</b>	<b>¥121,608</b>	Accrued pension and severance costs	20
Tangible fixed assets	428	Other	1,321
Buildings improvement	61		
Transportation equipment	17	<b>Total liabilities</b>	<b>¥29,292</b>
Tools and fixtures	348		
Intangible fixed assets	8	<b>NET ASSETS:</b>	
In-house software	4	<b>Shareholders' equity</b>	<b>¥149,205</b>
Trademark	3	<b>Common stock</b>	47,398
Other	0	<b>Capital surplus</b>	43,240
Investments and other assets	121,171	Additional paid-in capital	36,893
Investment securities	1,034	Other capital surplus	6,347
Investments in subsidiaries and affiliates	118,417	<b>Retained earnings</b>	75,807
Long-term loans	964	Legal reserved	283
Long-term prepaid expenses	13	Other retained earnings	75,523
Deferred income taxes, net	179	Special reserves	52,094
Lease deposits	557	Retained earnings brought forward	23,429
Other	6	<b>Treasury Stock</b>	<b>(17,241)</b>
Allowance for doubtful accounts	(0)	<b>Difference of appreciation and conversion</b>	<b>¥67</b>
		<b>Net unrealized gains on available-for-sale securities</b>	<b>67</b>
		<b>Total net assets</b>	<b>¥149,272</b>
<b>Total assets</b>	<b>¥178,565</b>	<b>Total liabilities and net assets</b>	<b>¥178,565</b>

**Statement of Income**  
**(Year ended March 31, 2008)**

(Millions of yen)

<b>I</b>	<b>Operating revenues</b>	<b>¥25,478</b>
	Management fee revenue	5,992
	Dividend income	19,485
<b>II</b>	<b>Costs and expenses</b>	<b>4,635</b>
	Selling, general and administrative expenses	4,635
	<b>Operating income</b>	<b>20,843</b>
<b>III</b>	<b>Non-operating income</b>	<b>325</b>
	Interest and dividend income	296
	Other	29
<b>IV</b>	<b>Non-operating expenses</b>	<b>692</b>
	Interest expenses	72
	Bond interest expense	215
	Bond issuance expense	85
	Foreign exchange loss	271
	Other	48
	<b>Ordinary income</b>	<b>20,475</b>
<b>V</b>	<b>Extraordinary losses</b>	<b>1,566</b>
	Loss on sale of equity securities	16
	Loss on sale of shares of an affiliated company	1,549
	<b>Income before income taxes</b>	<b>18,909</b>
	Current	1,945
	Deferred	(432)
	<b>Net income</b>	<b>17,395</b>

**Statement of Changes in Shareholders' Equity**  
**(Year ended March 31, 2008)**

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total Shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings		Total retained earnings		
						Special reserves	Retained earnings brought forward			
Balance at March 31, 2007	¥47,398	¥36,893	¥6,549	¥43,443	¥283	¥52,094	¥13,446	¥65,825	¥(17,579)	¥139,088
Changes during the year										
Cash dividends							(7,412)	(7,412)		(7,412)
Net income							17,395	17,395		17,395
Purchase of treasury stock									(33)	(33)
Reissuance of treasury stock			(46)	(46)					214	167
Cancellation of treasury stock			(155)	(155)					155	-
Net change of items other than Shareholders' equity										
Total changes during the year	-	-	(202)	(202)	-	-	9,982	9,982	337	10,117
Balance at March 31, 2008	¥47,398	¥36,893	¥6,347	¥43,240	¥283	¥52,094	¥23,429	¥75,807	¥ (17,241)	¥149,205

	Difference of appreciation and conversion		Total net assets
	Net unrealized gains on available-for-sale securities	Total difference of appreciation and conversion	
Balance at March 31, 2007	¥91	¥91	¥139,179
Changes during the year			
Cash dividends			(7,412)
Net income			17,395
Purchase of treasury stock			(33)
Reissuance of treasury stock			167
Cancellation of treasury stock			-
Net change of items other than Shareholders' equity	(24)	(24)	(24)
Total changes during the year	(24)	(24)	10,093
Balance at March 31, 2008	¥67	¥67	¥149,272

## **Summary of Significant Accounting Policies**

### **1. Methods and standards for the valuation of assets**

#### Marketable and Investment Securities

Shares in subsidiaries and affiliated companies: Stated at cost based on the moving average method.

#### Other investment securities

Quoted securities: the market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference with the Acquisition price is booked directly as net assets, and the cost of securities sold is calculated using the moving average method

Unquoted securities: valued at cost using the moving average method

### **2. Depreciation methods**

Tangible fixed assets are depreciated mainly using the declining balance method while intangible fixed assets are amortized mainly using the straight-line method. For in-house software, amortization is computed using the straight-line method based on the estimated useful life of 5 years. Long-term prepaid expenses are amortized mainly using the straight-line method.

(Change of accounting policies)

The Company shall, in accordance with the revision of the Corporate Tax Law and starting from the fiscal year under review, change to a method of depreciation and amortization that is based on said revised Law with respect to tangible fixed assets acquired on or after April 1, 2007. The effect of this change on the income of the Company is minimal.

(Additional information)

In accordance with the revision of the Corporate Tax Law, the Company and its domestic subsidiaries have, due to the application of a depreciation and amortization method based on said Law prior to revision with respect to tangible fixed assets acquired on or before March 31, 2007, from the fiscal year after the fiscal year during which depreciation reached 5% of their acquisition price, the difference between the amount equivalent to 5% of the acquisition price and the remainder price is depreciated evenly over a period of 5 years and accounted including depreciation and amortization cost. The effect of this change on the income of the Company is minimal.

### **3. Treatment method for deferred assets**

Bond issuance expense                      Entire amount treated at the time it is expended

### **4. Accounting standards for reserves**

#### (1) Allowance for doubtful accounts

Generally, allowance for doubtful accounts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

#### (2) Accrued pension and severance costs

Provided based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Unrecognized net transition asset is credited to expense over 13 years on a straight-line basis. Unrecognized actuarial net gain or loss will be amortized from the following

fiscal year within the average remaining service period of 3 years on a straight-line basis.

(Additional information)

At the end of the fiscal year under review, because the average remaining period of service of employees is now less than the number of years over which the cost of actuarial differences is treated, the number of years over which the cost of actuarial differences is treated has been changed from 8 years to 3 years.

## 5. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

## 6. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

## 7. Rounding policy

Amounts of less than one million yen are rounded to the nearest unit.

## Changes in reporting policy

Up to the previous fiscal year, the item "Income tax receivables" was included in the "Other accounts receivables", however, because their amount has increased in importance, it will have its own classification as of the fiscal year under review. For the previous fiscal year, ¥601 million was accounted for "Income tax receivables", which included "Income tax receivables".

## Additional information

Conventionally, the amount to be paid at year-end as per internal regulations to provide for the payment of retirement benefits to officers of the Company was accounted, however, the executive retirement benefits plan was abolished and the Ordinary General Meeting of Shareholders held on June 28, 2007 resolved to pay a lump-sum severance amount. As a result, the entire balance of the accrued director's retirement benefits was reversed and the accrued amount with respect to the lump-sum severance payment is indicated within "Other" field of fixed assets.

## Notes to Balance Sheet

### 1. Monetary assets and liabilities in relation to subsidiaries and affiliated companies

	(Millions of yen)
Short-term assets	22,323
Short-term liabilities	9,337
Long-term assets	1,461
Long-term liabilities	350

### 2. Accumulated depreciation of tangible fixed assets

¥287

## Notes to Statement of Income

### 1. Transactions with subsidiaries and affiliated companies

	(Millions of yen)
Operating revenues	25,468
Selling, general and administrative expenses	951
Non-operating transactions	654

## Notes to Statement of Changes in Shareholders' Equity

Type and number of shares in shareholders' equity at the end of the fiscal year under review

(Thousand shares)

	Number of shares as of March 31, 2006	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2007
Common stock	6,300	10	132	6,178
Total	6,300	10	132	6,178

### Overview of Causes for the Change

Major items in the increase in the number of shares are as follows:

Increase due to the acquisition of the Company's shares	
Increase due to the Acquisition of shares constituting less than one unit:	10,000 shares

Major items in the decrease in the number of shares are as follows:

Decrease due to the exercise of stock options:	76,000 shares
Decrease due to cancellation of treasury stock:	55,000 shares

### Notes to Tax Effect Accounting

Breakdown by major cause for the occurrence of deferred tax assets and deferred tax liabilities

(Millions of yen)

Deferred tax assets	
Long-term other accounts payable	537
Accrued expenses, etc.	374
Investments and other	266
Others	<u>229</u>
Deferred tax assets subtotal	1,409
Valuation allowance	<u>(605)</u>
Total deferred tax assets	803
Deferred tax liabilities	
Net unrealized losses on available-for-sale securities	<u>(46)</u>
Total deferred tax liabilities	<u>(46)</u>
Net deferred tax assets	<u>757</u>

### Notes to Fixed Assets used on Lease

Other than fixed assets written in the balance sheet, some office machines are used based on an agreement for a finance lease other than those that are deemed to transfer ownership of the leased property to the lessee.

## Notes to Transactions with Related Parties

Subsidiaries and affiliated companies, etc.

Attributes	Name	Percentage of voting rights	Relationship with the related party	Transactions	Amount of transactions (Millions of yen)	Account title	Ending balance (Millions of yen)
Subsidiary	Konami Digital Entertainment Co., Ltd.	Direct 100%	Interlocking of directors	Receipt of business management fees	3,426	Trade accounts receivable	2,172
				Lending and borrowing of funds	4,069	Short-term borrowings	4,069
				Interest income	55		
				Interest expense	6		
				Sales of equity securities	102	–	–
	Loss on sale of equity securities	15					
	Sale of the shares of affiliated company	200	–	–			
	Loss on sale of the shares of affiliated company	1,549					
	Konami Sports & Life Co., Ltd.	Direct 100%	Interlocking of directors	Lending of funds	12,512	Short-time loans	12,512
				Interest income	34		
	Konami Manufacturing & Service, Inc.	Direct 100%	–	Borrowing of funds	3,981	Short-term borrowings	3,981
				Interest expense	38		
	Konami Real Estate, Inc.	Direct 100%	Interlocking of directors	Lending of funds	3,464	Short-term loans	2,500
			Interest income	38	Long-term loans	964	
Konami Corporation of America	Direct 100%	Interlocking of directors	Lending of funds	1,552	Short-term loans	1,552	
			Interest income	119			
Konami Australia Pty Ltd	Direct 100%	–	Underwriting for capital increases	2,569	–	–	

Notes: Transaction terms and the policy, etc. of deciding transaction terms

1. The receipt of business management fees is determined through negotiations, considering the running costs, etc. of the Company as a pure holding company.
2. The sale price of equity securities and the shares of affiliated company is determined by agreements executed taking into consideration for valuations based on Basic Instructions on Valuation of Assets.
3. The lending and borrowing of funds include funds that the Company provides to companies in the Konami Group through the cash management system, and their net ending balance is posted. The interest rates are determined based on the market interest rates and others.
4. The underwriting of capital increases involves the underwriting of 135 million shares at 0.2 Australian dollars per share.
5. Consumption taxes are not included in the amount of transactions but are included in the ending balance.

## Notes to Per Share Data

Net assets per share: ¥1,087.03

Net income per share: ¥126.70

## Notes to Significant Subsequent Events

There is no applicable item.

(English Translation of the Auditors' Report Originally Issued in the Japanese Language)

## **Independent Auditors' Report**

May 14, 2008

The Board of Directors  
KONAMI CORPORATION:

KPMG AZSA & Co.

Masafumi Tanabu (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Naoyuki Ookita (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Shareholders' Equity, and Notes to the Consolidated Financial Statements of KONAMI CORPORATION for the consolidated fiscal year beginning on April 1, 2007 and ending on March 31, 2008, in accordance with Paragraph 4, Article 444 of the Corporate Law. Responsibility for preparation of these financial statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that consolidated financial statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of consolidated financial statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of KONAMI CORPORATION and its consolidated subsidiaries for the related consolidated fiscal year, in conformity with accounting principles generally accepted in the United States under paragraph 1, Article 148 of the Company Accounting Regulations of Japan (refer to Note of "Basic significant matters 1 regarding preparation of consolidated financial statements" of the notes to consolidated financial statements).

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

(English Translation of the Auditors' Report Originally Issued in the Japanese Language)

## **Independent Auditors' Report**

May 14, 2008

The Board of Directors  
KONAMI CORPORATION:

KPMG AZSA & Co.

Masafumi Tanabu (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Naoyuki Ookita (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the non-consolidated Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, Notes to the Non-Consolidated Financial Statements, and detailed statements of KONAMI CORPORATION for the 36th business year beginning on April 1, 2007 and ending on March 31, 2008, in accordance with Item 1, Paragraph 2, Article 436 of the Corporate Law. Responsibility for preparation of these financial statements and detailed statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that non-consolidated financial statements and detailed statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of non-consolidated financial statements and detailed statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the non-consolidated financial statements and detailed statements referred to above present fairly, in all material respects, the financial position and results of operations of KONAMI CORPORATION for the business year under review, in conformity with accounting principles generally accepted in Japan.

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

Transcript

## **AUDIT REPORT**

### **COPY OF THE BOARD OF STATUTORY CORPORATE AUDITORS' REPORT**

The Board of Corporate Auditors deliberated on the execution of duties by directors during the 36th term from April 1, 2007 to March 31, 2008 , based on reports of Business Report, Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, Notes to the Consolidated Financial Statement and Non-Consolidated Financial Statements, and detailed statements, conduct of business activities by the directors of the Company by each of the corporate auditors, and pursuant to deliberation prepared this Audit Report.

Board reports as follows:

#### 1. Method and Contents of Audit by Corporate Auditors and the Board

The Board set the audit policy, audit plan, etc., debriefed Corporate Auditors on the status of execution and results of their audits, debriefed Directors and Accountant Auditors on the status of execution of their duties, and requested explanations as needed.

While maintaining proper communication with Directors, internal audit staff and other employees, Corporate Auditors executed their audits in the manner described below in conformity with the corporate auditors' audit standard established by the Board and in accordance with the audit policy, audit plan, etc. established by the Board.

They have also been involved in inspecting and verifying the state of systems designed to ensure directors' compliance in the execution of their duties with laws and regulations or with the Article of Incorporation and the state of the system (internal control system) established based on resolutions decided by the Board of Directors. The basic policy concerning the control of the Company appearing in the Business Report was examined taking into consideration the status of deliberations by the Board of Directors.

With respect to the subsidiaries, Corporate Auditors examined the status of subsidiaries' operations and properties by maintaining proper communication with subsidiaries' directors, corporate auditors, etc. and physically visiting some of them as necessary.

In addition to receiving the Audit Report prepared by the Account Auditors, the Corporate Auditors have received a report that provides notice that the system ensuring the Account Auditors properly execute their duties has been established based on the "Quality Management Standard of Audit issued on 28th October, 2005 by the Business Accounting Council", and have received explanation from the Account Auditors

whenever required.

In addition, while maintaining the independent point of view of the Independent Auditors and monitoring and examining as to whether the audit is effectuated appropriately, a report was received from the Independent Auditors concerning the status of the execution of their duties and explanations were received as per need. Also, a notice was received stating that a “system to ensure the proper execution of duties” (items provided in Article 159 of the Corporate Calculation Regulations” is in place in accordance with the “Quality Management Standards for Audits” (October 28, 2005, Business Accounting Council).

Based on the aforementioned methods, Corporate Auditors and the Board examined the Company’s business report, financial statements (non-consolidated balance sheet, non-consolidated income statement, non-consolidated statement of changes in shareholders’ equity, and the notes on the non-consolidated financial statements), their supporting schedules, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholders’ equity, the notes on the consolidated financial statements) and execution of Directors’ duties for the fiscal year under review.

## 2. Results of Audit

### (1) Results of audit of business report

- (a) The business report and its supporting schedules present fairly the status of the Company in conformity with the relevant laws and Articles of Incorporation.
- (b) No misconduct or material fact running counter to the relevant laws or Articles of Incorporation has been found in respect of execution of Directors’ duties.
- (c) The contents of the resolutions of the Board of Directors on the internal control system are fair and reasonable. No item worthy of special mention has been found in respect of execution of Directors’ duties concerning the relevant internal control system.
- (d) No item worthy of special mention has been found in the basic policy on control of the Company provided in the Business Report. We recognize that the actions stipulated in Article 127, Item 2 of the Enforcement Ordinances of the Corporation Law mentioned in the Business Report are in line with the basic policy, are not detrimental to the common interests of shareholders and do not support the position of the executive officers of the Company.

### (2) Results of audit of financial statements and their supporting schedules

The audit methods adopted and the results of audit rendered by KPMG Azsa & Co., Accountant Auditors, are fair and reasonable.

### (3) Results of audit of consolidated financial statements

The audit methods adopted and the results of audit rendered by KPMG Azsa & Co., Accountant Auditors, are fair and reasonable.

May 15, 2008

Board of Corporate Auditors  
KONAMI CORPORATION

Noboru Onuma (Seal)  
Standing Statutory Corporate Auditor

Tachio Otori (Seal)  
Statutory Corporate Auditor

Masaru Mizuno (Seal)  
Statutory Corporate Auditor

Shogo Sasabe (Seal)  
Statutory Corporate Auditor

Note: Statutory Corporate Auditors Messrs. Noboru Onuma, Tachio Otori, Masaru Mizuno and Shogo Sasabe are external statutory corporate auditors as provided for in Article 2, Item 16 and Article 335, Paragraph 3 of the Corporate Law.

**Reference Materials Concerning the Exercise of Voting Rights**

**Proposal 1: Amendments to the Articles of Incorporation**

1. Reasons for amendments

In response to the diversification of the business of the Group, additions shall be made to the purpose of business and wording and article numbers shall be adjusted.

2. Particulars of the amendments

The Company proposes that the current Articles of Incorporation be amended as follows:

(Amendments are underlined)

Current Articles of Incorporation	Amended Proposed Amendments
<p>(Purpose)                      Article 2 The purpose of the Company shall be to control and manage the business activities of companies engaging in the following businesses as well as of foreign companies engaging in similar businesses by owning the stock of these companies and effectuated ancillary tasks.</p> <p>1. - 9. (Omitted)</p> <p>10. Operation and management of sports facilities, recreation halls, restaurants, accommodation facilities, hot spring facilities <u>and</u> sauna baths as well as parking lots</p> <p>11. - 12. (Omitted)</p> <p>(New)</p> <p>(New)</p> <p><u>13.</u> - <u>23.</u> (Omitted)</p>	<p>(Purpose)                      Article 2 (Unchanged)</p> <p>1. - 9. (Unchanged)</p> <p>10. Operation and management of sports facilities, <u>cultural schools, nurseries, pay nursing homes,</u> recreation halls, restaurants, accommodation facilities, hot spring facilities, <u>sauna</u> baths as well as parking lots</p> <p>11. - 12. (Unchanged)</p> <p>13. <u>Manufacture and sale of medical devices and materials, medical supplies, hygienic supplies for nursing care and health related devices</u></p> <p>14. <u>Nursing prevention service business and home care service business</u></p> <p><u>15.</u> - <u>25.</u> (Unchanged)</p>

## Proposal 2: Election of seven members to the Board of Directors

Because the terms of office for all seven directors expire as of the end of this General Meeting of Shareholders, this proposal requests the election of seven directors.

Candidates for the new board are as follows:

	Name (Date of Birth)	Resume, representation at other companies, etc. and position and responsibility in the Company	Shares of the Company's stock owned
1	Kagemasa Kozuki (Nov. 12, 1940)	Mar. 1969    Founded Konami Industries (private enterprise) Mar. 1973    Established Konami Industries Co., Ltd. (now KONAMI CORPORATION) with the paid-in capital of ¥1 million Jun. 1987    Representative Director and Chairman of the Board Jun. 1994    Representative Director and Chairman of the Board and CEO (to present)	107,757
2	Noriaki Yamaguchi (Jan. 26, 1944)	Jun. 1994    Joined the Company Jun. 1994    Managing Director in charge of International Business Division Jul. 1995    Managing Director in charge of Administration Division Feb. 1996    Managing Director in charge of Finance and Accounting Division Jun. 2000    Director and Executive Corporate Officer Finance and Accounting Division Jun. 2001    Representative Director and Executive Corporate Officer Finance and Accounting Division Jan. 2003    Representative Director and Executive Corporate Officer, Vice President and CFO Mar. 2006    Representative Director and CFO Apr. 2007    Representative Director, Vice-President and CFO (to present)	54,427
3	Kimihiko Higashio (Sep. 24, 1959)	Dec. 1997    Joined the Company Jan. 2000    Executive Corporate Officer (Kansai Region Representative) May 2003    Executive Corporate Officer (Division President, Human Resources) Jun. 2005    Director and Division President, Human Resources Mar. 2006    Director and CHO Apr. 2007    Director and CAO May. 2008    Representative Director, Vice-President and CAO (to present)	22,839
4	Kagehiko Kozuki (Mar. 7, 1944)	Dec. 1983    Joined the Company May 1984    Director Aug. 1990    Managing Director May 1991    Senior Managing Director Jun. 1997    Director and Vice Chairman Mar. 1998    Representative Director and Vice Chairman Sep. 2006    Representative Director May. 2008    Director (to present)  Representation of other companies, etc. • Representative Director and Chairman of Konami Sports & Life Co., Ltd.	117,699

	Name (Date of Birth)	Resume, representation at other companies, etc. and position and responsibility in the Company	Shares of the Company's stock owned
5	Tomokazu Godai (Oct. 6, 1939)	May 1992 Director of the Company (to present)  Representation of other companies, etc. • Representative Director and Chairman of the Board, MAYATEC Co., Ltd.	8,784
6	Hiroyuki Mizuno (Apr. 20, 1929)	Jun. 1990 Vice President, Matsushita Electrical Industrial Co., Ltd. Aug. 1994 Adjunct Professor, Stanford University Jun. 2001 Director of the Company (to present)  Representation of other companies, etc. • Director, Hiroshima Prefectural Institute of Industrial Science and Technology	9,723
7	Akira Gemma (Aug. 1, 1934)	Jun. 1997 Representative Director and President, SHISEDO Co., Ltd. Jun. 2001 Representative Director and Corporate Officer, Chairman of the Board Jun. 2003 Senior Corporate Adviser (to present) Jun. 2004 Director of the Company (to present)	7,300

Notes:

1. No special conflicts of interest exist between the Company and the proposed candidates for director.

2. Matters concerning candidates for external directors are as follows:

(1) Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma are candidates for external directors.

(2) Reasons for appointing them as the candidates for external directors

We have decided to appoint these persons as candidates for external directors based on our judgment that each would make a significant contribution to the management of the Company as external directors, given their considerable experience, achievements and insight as managers of business corporations and given that they are in an objective position, independent of the executive management of the Company.

(3) Number of years after assuming the post of external director of the Company (until the closing of this General Meeting of Shareholders)

Tomokazu Godai: 16 years

Hiroyuki Mizuno: 7 years

Akira Gemma: 4 years

(4) Overview of the Limited Liability Contract

The Company has entered into a limited liability contract with Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma with respect to their liabilities provided for in Article 423, Paragraph 1 of the Corporate Law. Under this contract, the liabilities of three persons shall be limited to the aggregate total of the amounts stipulated in Article 425, Paragraph 1 of the said law.