

KONAMI GROUP CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Six Months Ended September 30, 2022

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the six-month period ended September 30, 2022 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI GROUP CORPORATION filed its Quarterly Securities Report for the six-month period ended September 30, 2022 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 11, 2022. The following is the outline of the Quarterly Securities Report.

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1. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2022	As of September 30, 2022
Assets			
Current assets			
Cash and cash equivalents		¥250,711	¥228,283
Trade and other receivables		29,054	27,689
Inventories		8,957	13,441
Income tax receivables		1,443	7,266
Other current assets	10	9,461	12,560
Total current assets		299,626	289,239
Non-current assets			
Property, plant and equipment, net		138,869	151,713
Goodwill and intangible assets		45,392	49,852
Investments accounted for using the equity method		3,159	3,211
Other investments	10	1,231	1,108
Other financial assets	10	15,302	15,048
Deferred tax assets		23,671	23,264
Other non-current assets		1,363	1,546
Total non-current assets		228,987	245,742
Total assets		528,613	534,981
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,10	8,377	270
Other financial liabilities	10	9,106	8,657
Trade and other payables		33,486	31,766
Income tax payables		12,418	2,091
Other current liabilities	5	19,200	23,196
Total current liabilities		82,587	65,980
Non-current liabilities			
Bonds and borrowings	6,10	59,775	59,797
Other financial liabilities	10	25,263	23,300
Provisions		10,450	10,310
Deferred tax liabilities		770	935
Other non-current liabilities		1,692	1,812
Total non-current liabilities		97,950	96,154
Total liabilities		180,537	162,134
Equity			
Share capital		47,399	47,399
Share premium		75,027	78,044
Treasury shares		(26,868)	(21,762)
Other components of equity	7	6,701	15,363
Retained earnings		245,802	253,788
Total equity attributable to owners of the parent		348,061	372,832
Non-controlling interests		15	15
Total equity		348,076	372,847
Total liabilities and equity		¥528,613	¥534,981

The accompanying notes are an integral part of these financial statements.

(2) Quarterly Condensed Consolidated Statements of Profit or Loss and Comprehensive Income

Quarterly Condensed Consolidated Statement of Profit or Loss Six months ended September 30, 2021 and 2022

		Millions of Yen	
	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue			
Product sales revenue		¥39,562	¥51,463
Service and other revenue		99,924	96,896
Total revenue	4,9	139,486	148,359
Cost of revenue			
Cost of product sales revenue		(18,471)	(25,746)
Cost of service and other revenue		(57,256)	(66,007)
Total cost of revenue		(75,727)	(91,753)
Gross profit		63,759	56,606
Selling, general and administrative expenses		(25,120)	(30,995)
Other income and other expenses, net	11	471	(215)
Operating profit		39,110	25,396
Finance income		149	2,355
Finance costs		(423)	(381)
(Loss) profit from investments accounted for using the equity method		(163)	109
Profit before income taxes		38,673	27,479
Income taxes		(11,114)	(7,632)
Profit for the period		27,559	19,847
Profit attributable to:			
Owners of the parent		27,558	19,847
Non-controlling interests		¥1	¥0

		Yen	
	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Earnings per share (attributable to owners of the parent)			
Basic	12	¥206.79	¥147.87
Diluted	12	¥203.47	¥146.48

Three months ended September 30, 2021 and 2022

				Millions of Yen	
	Note	Three months ended September 30, 2021	Three months ended September 30, 2022		
Revenue					
Product sales revenue		¥20,558	¥29,578		
Service and other revenue		50,602	46,876		
Total revenue	4	71,160	76,454		
Cost of revenue					
Cost of product sales revenue		(10,085)	(14,944)		
Cost of service and other revenue		(29,667)	(33,676)		
Total cost of revenue		(39,752)	(48,620)		
Gross profit		31,408	27,834		
Selling, general and administrative expenses		(13,047)	(16,322)		
Other income and other expenses, net	11	1,312	(156)		
Operating profit		19,673	11,356		
Finance income		115	502		
Finance costs		(212)	(189)		
Loss from investments accounted for using the equity method		(18)	(42)		
Profit before income taxes		19,558	11,627		
Income taxes		(5,657)	(3,212)		
Profit for the period		13,901	8,415		
Profit attributable to:					
Owners of the parent		13,899	8,415		
Non-controlling interests		¥2	¥0		

				Yen	
	Note	Three months ended September 30, 2021	Three months ended September 30, 2022		
Earnings per share (attributable to owners of the parent)					
Basic	12	¥104.26	¥62.52		
Diluted	12	¥102.62	¥62.10		

The accompanying notes are an integral part of these financial statements.

Quarterly Condensed Consolidated Statement of Comprehensive Income
Six months ended September 30, 2021 and 2022

Millions of Yen			
	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit for the period		¥27,559	¥19,847
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity financial assets measured at fair value through other comprehensive income		(9)	36
Total items that will not be reclassified to profit or loss		(9)	36
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		187	8,386
Total items that may be reclassified to profit or loss		187	8,386
Total other comprehensive income		178	8,422
Total comprehensive income for the period		27,737	28,269
Comprehensive income attributable to:			
Owners of the parent		27,736	28,269
Non-controlling interests		¥1	¥0

Three months ended September 30, 2021 and 2022

		Millions of Yen	
	Note	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit for the period		¥13,901	¥8,415
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity financial assets measured at fair value through other comprehensive income		10	41
Total items that will not be reclassified to profit or loss		10	41
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		218	3,089
Total items that may be reclassified to profit or loss		218	3,089
Total other comprehensive income		228	3,130
Total comprehensive income for the period		14,129	11,545
Comprehensive income attributable to:			
Owners of the parent		14,127	11,545
Non-controlling interests		¥2	¥0

(3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2021		¥47,399	¥74,399	¥(27,843)	¥2,173	¥202,599	¥298,727	¥815	¥299,542
Profit for the period						27,558	27,558	1	27,559
Other comprehensive income					178		178		178
Total comprehensive income for the period		-	-	-	178	27,558	27,736	1	27,737
Purchase of treasury shares				(6)			(6)		(6)
Disposal of treasury shares			1	0			1		1
Dividends	8					(6,727)	(6,727)		(6,727)
Conversion of convertible bond-type bonds with subscription rights to shares			601	983			1,584		1,584
Total transactions with the owners		-	602	977	-	(6,727)	(5,148)	-	(5,148)
Balance at September 30, 2021		¥47,399	¥75,001	¥(26,866)	¥2,351	¥223,430	¥321,315	¥816	¥322,131

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2022		¥47,399	¥75,027	¥(26,868)	¥6,701	¥245,802	¥348,061	¥15	¥348,076
Profit for the period						19,847	19,847	0	19,847
Other comprehensive income					8,422		8,422		8,422
Total comprehensive income for the period		-	-	-	8,422	19,847	28,269	0	28,269
Purchase of treasury shares				(7)			(7)		(7)
Dividends	8					(11,621)	(11,621)		(11,621)
Conversion of convertible bond-type bonds with subscription rights to shares			3,017	5,113			8,130		8,130
Transfer from other components of equity to retained earnings					240	(240)	-		-
Total transactions with the owners		-	3,017	5,106	240	(11,861)	(3,498)	-	(3,498)
Balance at September 30, 2022		¥47,399	¥78,044	¥(21,762)	¥15,363	¥253,788	¥372,832	¥15	¥372,847

The accompanying notes are an integral part of these financial statements.

(4) Quarterly Condensed Consolidated Statement of Cash Flows

Millions of Yen

	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Operating activities			
Profit for the period		¥27,559	¥19,847
Depreciation and amortization		8,216	12,986
Impairment losses		128	188
Interest and dividends income		(38)	(113)
Interest expense		410	364
Loss on sale or disposal of property, plant and equipment		13	19
Loss (profit) from investments accounted for using the equity method		163	(109)
Income taxes		11,114	7,632
Decrease in trade and other receivables		4,332	4,036
Decrease (increase) in inventories		1,986	(3,459)
Decrease in trade and other payables		(6,315)	(5,604)
Increase in prepaid expense		(3,000)	(2,446)
Decrease in contract liabilities		(4,631)	(1,452)
Other, net		(1,799)	(151)
Interest and dividends received		38	113
Interest paid		(363)	(329)
Income taxes refund (paid)		5,718	(18,742)
Net cash provided by operating activities		43,531	12,780
Investing activities			
Capital expenditures		(10,829)	(25,225)
Payments for lease deposits		(569)	(134)
Proceeds from refunds of lease deposits		1,211	834
Payments for asset retirement obligations		(1,317)	(70)
Payments into time deposits		(574)	-
Proceeds from withdrawal of time deposits		403	-
Other, net		102	163
Net cash used in investing activities		(11,573)	(24,432)
Financing activities			
Proceeds from short-term (more than 3 months) borrowings		5,496	-
Repayments of short-term (more than 3 months) borrowings		(5,496)	-
Principal payments of lease liabilities		(5,404)	(3,869)
Dividends paid	8	(6,720)	(11,606)
Other, net		(5)	(7)
Net cash used in financing activities		(12,129)	(15,482)
Effect of exchange rate changes on cash and cash equivalents		151	4,706
Net increase (decrease) in cash and cash equivalents		19,980	(22,428)
Cash and cash equivalents at the beginning of the period		202,430	250,711
Cash and cash equivalents at the end of the period		¥222,410	228,283

The accompanying notes are an integral part of these financial statements.

Notes to Quarterly Condensed Consolidated Financial Statements

1. Reporting Entity

KONAMI GROUP CORPORATION (the “Company”) is a public company located in Japan.

The accompanying quarterly condensed consolidated financial statements consist of the Company and its consolidated subsidiaries (collectively, “Konami Group”) as well as equity interests in its associates.

Konami Group engages in the following four business operations: Digital Entertainment, Amusement, Gaming & Systems, and Sports businesses. The operations of each business segment are presented in Note 4 “Segment Information”.

On July 1, 2022, the Company changed its trade name from KONAMI HOLDINGS CORPORATION to KONAMI GROUP CORPORATION.

2. Basis of Preparation

(1) Compliance with IFRS

The quarterly condensed consolidated financial statements meet the requirements set out under Article 1-2, Paragraph 1, Item 2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements under which the Company is qualified as a “specified company applied Designated International Accounting Standards” and duly adopted the provisions of Article 93 of the foregoing rules.

Therefore, the Company prepares such quarterly condensed consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting”. Since the quarterly condensed consolidated financial statements do not contain all the information required in the consolidated financial statements for the fiscal year ended March 31, 2022, it should be read in combination with the annual consolidated financial statements.

(2) Use of estimates and judgments

In preparing quarterly condensed consolidated financial statements, management uses estimates and judgments. Judgments made by management, assumptions about the future and uncertainty in estimates may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of income and expenses as of the reporting date of the quarterly condensed consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts from revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods that are affected.

Information about estimates and judgments made by management that would have significant effects on the amounts recognized in the quarterly condensed consolidated financial statements is in the same manner of the consolidated financial statements for the fiscal year ended March 31, 2022 and is mainly as follows:

(The impact of COVID-19)

In regard to estimating the recoverable amounts for impairment loss of property, plant and equipment and intangible assets, we estimate the recoverable amounts based on our conservative expectations of the impact of COVID-19 pandemic on our operations. However, the estimation could be revised, depending on the evolving situation of the pandemic.

3. Significant Accounting Policies

The significant accounting policies adopted for these quarterly condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2022.

4. Segment Information

Konami Group's reportable segments constitute units of the Konami Group for which separate financial information is available. The Chief Operating Decision Maker regularly conducts deliberations to determine the allocation of management resources and to assess performance of each segment.

Operating segments are components of business activities from which Konami Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The operating segments are managed separately as each segment represents a strategic business unit that offers different products and serves different markets.

Konami Group operates on a worldwide basis principally with the following four operating segments:

a) Digital Entertainment:	Production, manufacture and sale of digital content and related products including mobile games, card games and computer and video games.
b) Amusement:	Production, manufacture and sale of amusement machines.
c) Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
d) Sports:	Operation of fitness activities and sports classes, including swimming, gymnastics, dance, soccer, tennis, and golf, and production and sale of sports related goods.

Konami Group defines business profit associated with each segment as segment profit. Segment profit is determined by deducting “cost of revenue” and “selling, general and administrative expenses” from “revenue”. This does not include corporate expenses, finance income and finance costs, and certain non-regular expenses associated with each segment such as impairment losses on property, plant and equipment, goodwill and intangible assets. Intersegment eliminations primarily consist of administrative expenses not directly associated with specific segments and eliminations of intercompany sales.

Intersegment sales and revenues are generally recognized at values that represent arm’s-length fair value.

Neither Konami Group nor any of its segments depended on any single customer for more than 10% of Konami Group's revenues for the six months ended September 30, 2022.

(1) Operating segment information

For the six months ended September 30, 2021

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥98,299	¥9,125	¥12,274	¥19,788	¥139,486	-	¥139,486
Intersegment	333	834	-	154	1,321	¥(1,321)	-
Total	98,632	9,959	12,274	19,942	140,807	(1,321)	139,486
Business profit	¥35,848	¥1,694	¥1,827	¥550	¥39,919	¥(1,280)	38,639
Other income and other expenses, net	-	-	-	-	-	-	471
Operating profit	-	-	-	-	-	-	39,110
Finance income and finance costs, net	-	-	-	-	-	-	(274)
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(163)
Profit before income taxes	-	-	-	-	-	-	¥38,673

For the six months ended September 30, 2022

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥102,390	¥6,437	¥17,080	¥22,452	¥148,359	-	¥148,359
Intersegment	313	742	39	8	1,102	¥(1,102)	-
Total	102,703	7,179	17,119	22,460	149,461	(1,102)	148,359
Business profit	¥23,503	¥1,050	¥2,001	¥501	¥27,055	¥(1,444)	25,611
Other income and other expenses, net	-	-	-	-	-	-	(215)
Operating profit	-	-	-	-	-	-	25,396
Finance income and finance costs, net	-	-	-	-	-	-	1,974
Profit from investments accounted for using the equity method	-	-	-	-	-	-	109
Profit before income taxes	-	-	-	-	-	-	¥27,479

For the three months ended September 30, 2021

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥48,618	¥6,039	¥5,978	¥10,525	¥71,160	-	¥71,160
Intersegment	155	369	-	76	600	¥(600)	-
Total	48,773	6,408	5,978	10,601	71,760	(600)	71,160
Business profit	¥16,687	¥1,379	¥911	¥(42)	¥18,935	¥(574)	18,361
Other income and other expenses, net	-	-	-	-	-	-	1,312
Operating profit	-	-	-	-	-	-	19,673
Finance income and finance costs, net	-	-	-	-	-	-	(97)
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(18)
Profit before income taxes	-	-	-	-	-	-	¥19,558

For the three months ended September 30, 2022

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥51,747	¥3,849	¥9,385	¥11,473	¥76,454	-	¥76,454
Intersegment	156	400	39	4	599	¥(599)	-
Total	51,903	4,249	9,424	11,477	77,053	(599)	76,454
Business profit	¥10,142	¥944	¥1,178	¥53	¥12,317	¥(805)	11,512
Other income and other expenses, net	-	-	-	-	-	-	(156)
Operating profit	-	-	-	-	-	-	11,356
Finance income and finance costs, net	-	-	-	-	-	-	313
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(42)
Profit before income taxes	-	-	-	-	-	-	¥11,627

(2) Geographic information

Revenue from external customers for the six months ended September 30, 2021 and 2022

Millions of Yen

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue:		
Japan	¥109,220	¥97,991
United States	18,203	33,308
Europe	6,465	9,297
Asia/Oceania	5,598	7,763
Consolidated	¥139,486	¥148,359

Revenue from external customers for the three months ended September 30, 2021 and 2022

	Millions of Yen	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Revenue:		
Japan	¥56,686	¥49,217
United States	8,747	18,841
Europe	3,095	4,536
Asia/Oceania	2,632	3,860
Consolidated	¥71,160	¥76,454

For the purpose of presenting its operations in the geographic areas above, Konami Group attributes revenues from external customers to individual countries in each area based on where Konami Group sold products or rendered services.

5. Other Current Liabilities

The following is a breakdown of other current liabilities as of March 31, 2022 and September 30, 2022.

	Millions of Yen	
	As of March 31, 2022	As of September 30, 2022
Contract liabilities	¥11,241	¥9,856
Others	7,959	13,340
Total	¥19,200	¥23,196

6. Bonds

For the six months ended September 30, 2021, there was a part of conversion of euro-yen convertible bond-type bonds with subscription rights to shares (interest -%, due December 2022). The carrying amount of the bonds converted was ¥1,579 million. There was neither issuance nor redemption of bonds.

For the six months ended September 30, 2022, there was a part of conversion of euro-yen convertible bond-type bonds with subscription rights to shares (interest -%, due December 2022). The carrying amount of the bonds converted was ¥8,121 million. There was neither issuance nor redemption of bonds.

7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Six months ended September 30, 2021	Six months ended September 30, 2022
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥2,077	¥6,939
Net change during the period	187	8,386
Transfer to retained earnings	-	-
Balance at the end of the period	¥2,264	¥15,325
<i>Net Change in fair value of equity financial assets measured at fair value through other comprehensive income</i>		
Balance at the beginning of the period	¥96	¥(238)
Net change during the period	(9)	36
Transfer to retained earnings	-	240
Balance at the end of the period	¥87	¥38

8. Dividends

The Company paid dividends 50.50 yen per share and the total amount of ¥6,727 million for the six months ended September 30, 2021.

The Company paid dividends 87.00 yen per share and the total amount of ¥11,621 million for the six months ended September 30, 2022.

The board of directors' meeting held on November 2, 2022 resolved a cash dividend of 62.00 yen per share and the total amount of ¥8,401 million will be paid for shareholders on record as of September 30, 2022.

9. Revenue

The following is a breakdown of the reportable segments revenues from external customers to the areas where Konami Group sells products and/or renders services.

For the six months ended September 30, 2021

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥80,424	¥8,049	¥6,465	¥3,361	¥98,299
Amusement	9,008	-	-	117	9,125
Gaming & Systems	-	10,154	-	2,120	12,274
Sports	19,788	-	-	-	19,788
Total revenue	¥109,220	¥18,203	¥6,465	¥5,598	¥139,486

For the six months ended September 30, 2022

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥69,265	¥19,259	¥9,297	¥4,569	¥102,390
Amusement	6,274	-	-	163	6,437
Gaming & Systems	-	14,049	-	3,031	17,080
Sports	22,452	-	-	-	22,452
Total revenue	¥97,991	¥33,308	¥9,297	¥7,763	¥148,359

10. Fair Value of Financial Instruments

(1) Measuring fair value of financial instruments

Methods for measuring the fair value of financial assets and liabilities are as follows:

1. Financial assets and liabilities measured at amortized cost

The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts because they have short term maturities.

The fair values of lease deposits and other financial assets are calculated as the present value of the total principal and interest discounted at interest rates reflecting the credit risks estimated by Konami Group, and categorized as Level 2.

The fair values of bonds and borrowings and other financial liabilities are calculated as the present value of the total principal and interest, discounted at interest rates that would be applied to new borrowings of Konami Group with similar terms and the same remaining maturity, and categorized as Level 2.

2. Equity financial assets measured at fair value through other comprehensive income

With regards to equity instruments included in other investments, the fair values of marketable securities are measured based on quoted market prices on equity markets of identical assets, and categorized as Level 1. The fair values of unlisted securities are determined based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and categorized as Level 3.

3. Financial assets and liabilities measured at fair value through profit or loss

The fair values of foreign exchange contracts are measured using valuation provided by financial institutions based on observable market data at the end of each reporting period, and categorized as Level 2. The fair values of debt instruments included in other investments are determined based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and categorized as Level 3.

(2) Fair value hierarchy

Fair values are categorized within the fair value hierarchy as follows:

- Level 1: Fair values measured at a price quoted in an active market.
- Level 2: Fair values calculated directly or indirectly using an observable price except for level 1.
- Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data.

(3) Fair value of financial instruments

The table is a breakdown of financial instruments showing carrying amounts and fair values as of March 31, 2022 and September 30, 2022.

Millions of Yen

	As of March 31, 2022		As of September 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥93	¥116	¥87	¥107
Lease deposits	16,787	17,736	16,664	17,487
Other financial assets	974	936	856	802
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	1,139	1,139	1,016	1,016
Other investments (Non-securities)	72	72	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	20	20	20	20
Financial liabilities:				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥68,152	¥66,103	¥60,067	¥57,809
Other financial liabilities	2,172	2,172	2,181	2,181

(4) Fair values measured and disclosed on the quarterly condensed consolidated statements of financial position

The following is a breakdown of financial assets that are measured at fair value on a recurring basis as of March 31, 2022 and September 30, 2022.

	Millions of Yen			
Balance at March 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	¥442	-	¥697	¥1,139
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	20	20
Total	¥442	-	¥789	¥1,231

	Millions of Yen			
Balance at September 30, 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	¥444	-	¥572	¥1,016
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	20	20
Total	¥444	-	¥664	¥1,108

Other investments, which are classified as Level 3, have no significant changes for the six months ended September 30, 2022.

11. Other Income and Other Expenses

During the three months ended June 30, 2021, COVID-19-related loss of ¥862 million was recognized and included in the line item “other income and other expenses, net.” The loss, mainly in sports segment, contains fixed costs of sports clubs including personnel expenses, depreciation expenses and rent expenses, which were incurred during the temporal closure period of sports clubs all over Japan in line with state-of-emergency declaration from government and business suspension request from local governments to avoid the spread of COVID-19.

During the three months ended September 30, 2021, we received employment adjustment subsidies from the government, which was a leave allowance related to COVID-19. In accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance,” the subsidies of ¥206 million was deducted from COVID-19 related loss included in the line item “other income and other expenses, net,” which was related to fixed costs incurred during the temporal

closure period in line with state-of-emergency declaration from government and business suspension request from local governments during the three months ended June 30, 2021.

12. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the six months ended September 30, 2021 and 2022 is as follows:

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit attributable to owners of the parent	27,558 million yen	19,847 million yen
Adjustments for profit used in the calculation of diluted earnings per share	18 million yen	9 million yen
Profit used in the calculation of diluted earnings per share	27,576 million yen	19,856 million yen
Basic weighted average ordinary shares outstanding	133,265,479 shares	134,224,059 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,263,965 shares	1,334,925 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,529,444 shares	135,558,984 shares
Earnings per share attributable to owners of the parent for the period		
Basic	206.79 yen	147.87 yen
Diluted	203.47 yen	146.48 yen

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended September 30, 2021 and 2022 is as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit attributable to owners of the parent	13,899 million yen	8,415 million yen
Adjustments for profit used in the calculation of diluted earnings per share	9 million yen	3 million yen
Profit used in the calculation of diluted earnings per share	13,908 million yen	8,418 million yen
Basic weighted average ordinary shares outstanding	133,304,747 shares	134,617,104 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,224,500 shares	942,096 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,529,247 shares	135,559,200 shares
Earnings per share attributable to owners of the parent for the period		
Basic	104.26 yen	62.52 yen
Diluted	102.62 yen	62.10 yen

13. Subsequent Events

There have been no events after September 30, 2022 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

14. Approval of Quarterly Condensed Consolidated Financial Statements

The quarterly condensed consolidated financial statements were approved by Representative Director, President, Kimihiko Higashio, on November 10, 2022.

2. Business Review

(1) Business Overview

For the six months ended September 30, 2022, the spread of COVID-19 has slowed down and there are increased expectations for normalization of economic activities. Meanwhile, the situation still remains uncertain due to issues such as prolonged Ukraine conflict, exchange rate fluctuations caused by Japanese yen plunge and surge in resource prices.

Amidst these circumstances, in terms of the business results of Konami Group for the six months ended September 30, 2022, revenues for the second quarter have reached a record high due to successive launch of new titles of core contents and the depreciation of Japanese yen. On the other hand, in addition to amortization of product costs upon new title releases and promotion costs incurred, rising energy costs have impacted on our profit performance.

In terms of the consolidated results for the six months ended September 30, 2022, total revenue amounted to ¥148,359 million (a year-on-year increase of 6.4%), business profit was ¥25,611 million (a year-on-year decrease of 33.7%), operating profit was ¥25,396 million (a year-on-year decrease of 35.1%), profit before income taxes was ¥27,479 million (a year-on-year decrease of 28.9%), and profit attributable to owners of the parent was ¥19,847 million (a year-on-year decrease of 28.0%).

(2) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Six months ended September 30, 2021	Six months ended September 30, 2022	% change
Total revenue:			
Digital Entertainment	¥98,632	¥102,703	4.1
Amusement	9,959	7,179	(27.9)
Gaming & Systems	12,274	17,119	39.5
Sports	19,942	22,460	12.6
Intersegment eliminations	(1,321)	(1,102)	-
Total revenue	¥139,486	¥148,359	6.4

Digital Entertainment

In the entertainment market, future development of game content is expected through the functional enhancement of various devices, including mobile devices and video game consoles, and the spread of next generation communication systems. The ways in which content is enjoyed is becoming increasingly diversified, such as increased attention and growing fan bases for the eSports space, which treat video games as sports competitions, and gameplay videos. Furthermore, there is growing recognition for the metaverse, which is a virtual space on the internet. In particular, the high affinity between the metaverse and video games is attracting strong attention.

Amidst these circumstances, as a new initiative in this business, we have started distributing *eFootball™ 2023* on multiple devices. Many of our customers are enjoying *eFootball™ 2023* due to the addition of new usable teams and players, and the pursuit of improved playability. In the computer and video game space, we launched *Teenage Mutant Ninja Turtles: The Cowabunga Collection*, which has started off strongly mainly in Europe and the United States. In the mobile game space, we have started distributing *Yu-Gi-Oh! CROSS DUEL*. It has been well received as a card game with a new feeling in which four players can play simultaneously.

As an ongoing initiative, *PROFESSIONAL BASEBALL SPIRITS A (Ace)* has progressed steadily. *Yu-Gi-Oh! MASTER DUEL* continues to be well received by our customers due to encouragement of transformation to the game environment through the active addition of new cards and changes to regulations. In card games, *Yu-Gi-Oh! TRADING CARD GAME* continues to perform well and its sales grew globally. With the addition of customers who have been newly brought in by *Yu-Gi-Oh! MASTER DUEL* and customers who have started playing again, there continues to create a synergistic effect with overall *Yu-Gi-Oh!* content.

In eSports space, for *eFootball™ 2022*, we held “eFootball™ Championship Open 2022” in which all players could participate to determine the No. 1 player for each platform. For *Yu-Gi-Oh! DUEL LINKS*, we held the main battle of “KC Grand

Tournament 2022,” which is a large-scale online tournament. Both tournaments were live-streamed to the whole world and created great excitement.

Since amortization of product costs and promotion costs have incurred by launching new titles of core contents successively from 2022 onwards, business profit in this segment for the six months ended September 30, 2022 decreased.

In terms of financial performance, total revenue for the six months ended September 30, 2022 in this segment amounted to ¥102,703 million (a year-on-year increase of 4.1%) and business profit for the six months ended September 30, 2022 amounted to ¥23,503 million (a year-on-year decrease of 34.4%).

Amusement

In the amusement market, as the “new normal” era of life with COVID-19 becomes normalized, due to changes in people’s behavior and awareness resulting from the COVID-19 pandemic, the range of needs is expanding, such as demand for ways to play arcade games at home in addition to amusement facilities.

Amidst these circumstances, in our business of video games targeted at amusement facilities, for *MAH-JONG FIGHT CLUB Extreme*, we held “Japan Professional Mahjong League 2022 All-Star Tournament (Decided by Ballot)” in which each player used voting rights obtained based on their play to vote for the professional mahjong player whom they want to support, thereby selecting professional mahjong players who symbolize the 20th anniversary of the series. These initiatives have been well received by our customers. We also held the eSports tournament “eMAH-JONG *MAH-JONG FIGHT CLUB Pro* Tournament” that uses the mobile app *MAH-JONG FIGHT CLUB Sp*, jointly with the Japan Professional Mahjong League. A total of 32 “eMAH-JONG professionals,” including 24 ordinary users selected through rigorous screening and 8 professional mahjong players belonging to the Japan Professional Mahjong League, engaged in fierce matches to become the first-ever champion. Furthermore, “KONAMI AMUSEMENT GAME STATION,” which allows users to enjoy arcade games on computers and smartphones at any time, continued its steady growth. We also launched the *pachinko slot BOMBERGIRL* as the first edition of the pachinko slot machine 6.5. This new machine is based on the arcade game *BOMBERGIRL*, which has gained popularity due to its unique female characters.

For the six months ended September 30, 2022, revenues and business profit in this segment decreased due to difference in timing of product launch.

In terms of financial performance, total revenue for the six months ended September 30, 2022 in this segment amounted to ¥7,179 million (a year-on-year decrease of 27.9%) and business profit for the six months ended September 30, 2022 amounted to ¥1,050 million (a year-on-year decrease of 38.0%).

Gaming & Systems

In the gaming market, the operation in casino facilities in North America and Australia returned to its pre-COVID-19 level and the situation brought back in the revitalized markets. Although other markets in some countries and regions are still affected by the COVID-19 pandemic, the market as a whole is on the road to recovery. On the other hand, global supply chain disruptions are resulting to issues, such as rising parts cost and delivery delays of parts and materials.

Amidst these circumstances, in our slot machine business, the *DIMENSION* series continues to attract the attention of customers in the North American and Australian markets, where the series have won multiple awards. In terms of slot machine sales, *DIMENSION 49™* has maintained high operation in the market. In the area of participation (revenue share business), we started market development of *DIMENSION 75C™* featuring a 75-inch curved monitor and are expanding its introduction to casino facilities. In terms of gaming content, *All Aboard™* has recorded industry-leading operation for about two years, and titles such as *Lucky Envelop™* and *Ocean Spin™* have also been well received in the market.

In the casino management system, we introduced a variety of functionality which will enhance and strengthen our product appeal including *Money Klip™* for cashless casinos, maintaining the strong performance of the previous quarter.

In terms of financial performance, total revenue for the six months ended September 30, 2022 in this segment amounted to ¥17,119 million (a year-on-year increase of 39.5%) and business profit for the six months ended September 30, 2022 amounted to ¥2,001 million (a year-on-year increase of 9.5%).

Sports

In the sports market, rising energy prices continues to impact on business environment. Meanwhile, behavioral restrictions are being relaxed so that people can continue their daily lives and economic/social activities and thus demand for sports and health promotion is returning.

Amidst these circumstances, in our operation of sports clubs, we worked to provide safe and secure opportunities for exercise so that customers can participate according to their own lifestyle, including enhancement of online services in addition to providing services at facilities. In August 2022, we opened “Pilates Mirror Kichijoji” (Musashino City, Tokyo) as our second Pilates studio with a ceiling mirror.

With regard to the operation of outsourced facilities, a form of business that expands our network without ownership of assets, we leveraged our previously developed operational and leadership expertise, as well as our accomplishments, to promote our businesses, and began contracted operations of sports facilities in new areas

such as Yokohama City, Kanagawa, Hadano City, Kanagawa, Kyoto City, Kyoto and Fukuoka City, Fukuoka.

In regard to growing school needs for outsourcing of school swimming classes, we are providing swimming instruction services at many elementary schools throughout Japan, which have been well received.

For the “Undo Juku” exercise circle aimed at children, we opened new swimming schools at four facilities: Isogo (Yokohama City, Kanagawa), Kawanishi (Kawanishi City, Hyogo), Jiyu-ga-Oka (Meguro-ku, Tokyo), and Izumi-Chuo (Izumi City, Osaka). We continue to provide “Undo Juku Digital Note,” a new digital service that improves the effect of practice through synergy between “Smart Swimming Lesson System,” which uses images and AI, and the coaching techniques of Konami Sports Club instructors.

In terms of financial performance, total revenue for the six months ended September 30, 2022 in this segment amounted to ¥22,460 million (a year-on-year increase of 12.6%) and business profit for the six months ended September 30, 2022 amounted to ¥501 million (a year-on-year decrease of 8.9%).

3. Risk Factors

For the six-month period ended September 30, 2022, there is no significant change in risk factors which were described on the Annual Report for the year ended March 31, 2022.

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the United Kingdom Financial Conduct Authority's Disclosure Rules and Transparency Rules, in relation to KONAMI GROUP CORPORATION as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Kimihiko Higashio, Representative Director, President, confirms that:

to the best of his knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of KONAMI GROUP CORPORATION and the undertakings included in the consolidation taken as a whole; and

to the best of his knowledge, this annual financial information includes a fair review of the development and performance of the business and the position of KONAMI GROUP CORPORATION and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.