

KONAMI GROUP CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Six Months Ended September 30, 2023

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the six-month period ended September 30, 2023 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, 2023 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 13, 2023. 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, 2023	As of September 30, 2023
Assets			
Current assets			
Cash and cash equivalents		¥219,263	¥236,105
Trade and other receivables		39,276	33,001
Inventories		12,705	14,730
Income tax receivables		9,486	1,497
Other current assets	10	9,311	13,022
Total current assets		290,041	298,355
Non-current assets			
Property, plant and equipment, net		155,788	156,438
Goodwill and intangible assets		49,553	61,180
Investments accounted for using the equity method		3,239	3,411
Other investments	10	1,890	1,924
Other financial assets	10	15,001	15,719
Deferred tax assets		30,220	31,455
Other non-current assets		1,491	1,603
Total non-current assets		257,182	271,730
Total assets		547,223	570,085
Liabilities and equity			
Liabilities			
Current liabilities			
Other financial liabilities	10	8,751	8,994
Trade and other payables		37,558	34,290
Income tax payables		9,760	8,372
Other current liabilities	5	19,025	20,938
Total current liabilities		75,094	72,594
Non-current liabilities			
Bonds and borrowings	6,10	59,819	59,840
Other financial liabilities	10	23,050	22,188
Provisions		10,031	9,885
Deferred tax liabilities		1,141	1,256
Other non-current liabilities		1,809	1,870
Total non-current liabilities		95,850	95,039
Total liabilities		170,944	167,633
Equity			
Share capital		47,399	47,399
Share premium		78,144	78,144
Treasury shares		(21,594)	(21,597)
Other components of equity	7	11,880	19,627
Retained earnings		260,435	278,864
Total equity attributable to owners of the parent		376,264	402,437
Non-controlling interests		15	15
Total equity		376,279	402,452
Total liabilities and equity		¥547,223	¥570,085

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, 2022 and 2023

Millions of Yen

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue			
Product sales revenue		¥51,463	¥48,869
Service and other revenue		96,896	104,982
Total revenue	4,9	148,359	153,851
Cost of revenue			
Cost of product sales revenue		(25,746)	(23,645)
Cost of service and other revenue		(66,007)	(63,402)
Total cost of revenue		(91,753)	(87,047)
Gross profit		56,606	66,804
Selling, general and administrative expenses		(30,995)	(31,390)
Other income and other expenses, net		(215)	29
Operating profit		25,396	35,443
Finance income		2,355	1,667
Finance costs		(381)	(331)
Profit from investments accounted for using the equity method		109	229
Profit before income taxes		27,479	37,008
Income taxes		(7,632)	(10,174)
Profit for the period		19,847	26,834
Profit attributable to:			
Owners of the parent		19,847	26,834
Non-controlling interests		¥0	¥0

Yen

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Earnings per share (attributable to owners of the parent)			
Basic	11	¥147.87	¥197.95
Diluted	11	¥146.48	¥197.95

Three months ended September 30, 2022 and 2023

Millions of Yen

	Note	Three months ended September 30, 2022	Three months ended September 30, 2023
Revenue			
Product sales revenue		¥29,578	¥26,957
Service and other revenue		46,876	54,261
Total revenue	4	76,454	81,218
Cost of revenue			
Cost of product sales revenue		(14,944)	(14,156)
Cost of service and other revenue		(33,676)	(32,251)
Total cost of revenue		(48,620)	(46,407)
Gross profit		27,834	34,811
Selling, general and administrative expenses		(16,322)	(16,558)
Other income and other expenses, net		(156)	39
Operating profit		11,356	18,292
Finance income		502	389
Finance costs		(189)	(163)
(Loss) profit from investments accounted for using the equity method		(42)	96
Profit before income taxes		11,627	18,614
Income taxes		(3,212)	(5,155)
Profit for the period		8,415	13,459
Profit attributable to:			
Owners of the parent		8,415	13,459
Non-controlling interests		¥0	¥0

Yen

	Note	Three months ended September 30, 2022	Three months ended September 30, 2023
Earnings per share (attributable to owners of the parent)			
Basic	11	¥62.52	¥99.29
Diluted	11	¥62.10	¥99.29

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

Quarterly Condensed Consolidated Statement of Comprehensive Income
Six months ended September 30, 2022 and 2023

Millions of Yen

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit for the period		¥19,847	¥26,834
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		36	24
Total items that will not be reclassified to profit or loss		36	24
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		8,386	7,723
Total items that may be reclassified to profit or loss		8,386	7,723
Total other comprehensive income		8,422	7,747
Total comprehensive income for the period		28,269	34,581
Comprehensive income attributable to:			
Owners of the parent		28,269	34,581
Non-controlling interests		¥0	¥0

Three months ended September 30, 2022 and 2023

Millions of Yen

	Note	Three months ended September 30, 2022	Three months ended September 30, 2023
Profit for the period		¥8,415	¥13,459
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		41	(106)
Total items that will not be reclassified to profit or loss		41	(106)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		3,089	2,136
Total items that may be reclassified to profit or loss		3,089	2,136
Total other comprehensive income		3,130	2,030
<i>Total comprehensive income for the period</i>		11,545	15,489
Comprehensive income attributable to:			
Owners of the parent		11,545	15,489
Non-controlling interests		¥0	¥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, 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

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, 2023		¥47,399	¥78,144	¥(21,594)	¥11,880	¥260,435	¥376,264	¥15	¥376,279
Profit for the period						26,834	26,834	0	26,834
Other comprehensive income					7,747		7,747		7,747
Total comprehensive income for the period		-	-	-	7,747	26,834	34,581	0	34,581
Purchase of treasury shares				(3)			(3)		(3)
Disposal of treasury shares			0	0			0		0
Dividends	8					(8,405)	(8,405)		(8,405)
Total transactions with the owners		-	0	(3)	-	(8,405)	(8,408)	-	(8,408)
Balance at September 30, 2023		¥47,399	¥78,144	¥(21,597)	¥19,627	¥278,864	¥402,437	¥15	¥402,452

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, 2022	Six months ended September 30, 2023
<i>Operating activities</i>			
Profit for the period		¥19,847	¥26,834
Depreciation and amortization		12,986	9,444
Impairment losses		188	54
Interest and dividends income		(113)	(571)
Interest expense		364	317
Loss on sale or disposal of property, plant and equipment		19	6
Profit from investments accounted for using the equity method		(109)	(229)
Income taxes		7,632	10,174
Decrease in trade and other receivables		4,036	8,465
Increase in inventories		(3,459)	(971)
Decrease in trade and other payables		(5,604)	(3,427)
Increase in prepaid expense		(2,446)	(2,542)
(Decrease) increase in contract liabilities		(1,452)	1,178
Other, net		(151)	(1,292)
Interest and dividends received		113	566
Interest paid		(329)	(295)
Income taxes paid		(18,742)	(4,591)
<i>Net cash provided by operating activities</i>		12,780	43,120
<i>Investing activities</i>			
Capital expenditures		(25,225)	(18,350)
Payments for lease deposits		(134)	(65)
Proceeds from refunds of lease deposits		834	230
Other, net		93	1
<i>Net cash used in investing activities</i>		(24,432)	(18,184)
<i>Financing activities</i>			
Principal payments of lease liabilities		(3,869)	(3,718)
Dividends paid	8	(11,606)	(8,399)
Other, net		(7)	(3)
<i>Net cash used in financing activities</i>		(15,482)	(12,120)
Effect of exchange rate changes on cash and cash equivalents		4,706	4,026
Net (decrease) increase in cash and cash equivalents		(22,428)	16,842
Cash and cash equivalents at the beginning of the period		250,711	219,263
<i>Cash and cash equivalents at the end of the period</i>		¥228,283	¥236,105

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”.

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, 2023, 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, 2023.

3. Material Accounting Policies

The material 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, 2023.

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, 2023.

(1) Operating segment information

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 six months ended September 30, 2023

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥101,768	¥9,266	¥19,036	¥23,781	¥153,851	-	¥153,851
Intersegment	334	736	66	18	1,154	¥(1,154)	-
Total	102,102	10,002	19,102	23,799	155,005	(1,154)	153,851
Business profit	¥31,032	¥1,193	¥3,117	¥1,600	¥36,942	¥(1,528)	35,414
Other income and other expenses, net	-	-	-	-	-	-	29
Operating profit	-	-	-	-	-	-	35,443
Finance income and finance costs, net	-	-	-	-	-	-	1,336
Profit from investments accounted for using the equity method	-	-	-	-	-	-	229
Profit before income taxes	-	-	-	-	-	-	¥37,008

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

For the three months ended September 30, 2023

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥53,824	¥6,224	¥9,075	¥12,095	¥81,218	-	¥81,218
Intersegment	148	374	30	7	559	¥(559)	-
Total	53,972	6,598	9,105	12,102	81,777	(559)	81,218
Business profit	¥15,931	¥1,000	¥1,146	¥877	¥18,954	¥(701)	18,253
Other income and other expenses, net	-	-	-	-	-	-	39
Operating profit	-	-	-	-	-	-	18,292
Finance income and finance costs, net	-	-	-	-	-	-	226
Profit from investments accounted for using the equity method	-	-	-	-	-	-	96
Profit before income taxes	-	-	-	-	-	-	¥18,614

(2) Geographic information

Revenue from external customers for the six months ended September 30, 2022 and 2023

	Millions of Yen	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue:		
Japan	¥97,991	¥105,998
United States	33,308	29,794
Europe	9,297	9,819
Asia/Oceania	7,763	8,240
Consolidated	¥148,359	¥153,851

Revenue from external customers for the three months ended September 30, 2022 and 2023

	Millions of Yen	
	Three months ended September 30, 2022	Three months ended September 30, 2023
Revenue:		
Japan	¥49,217	¥56,530
United States	18,841	15,655
Europe	4,536	5,299
Asia/Oceania	3,860	3,734
Consolidated	¥76,454	¥81,218

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, 2023 and September 30, 2023.

	Millions of Yen	
	As of March 31, 2023	As of September 30, 2023
Contract liabilities	¥9,489	¥10,750
Others	9,536	10,188
Total	¥19,025	¥20,938

6. 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.

For the six months ended September 30, 2023, 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, 2022	Six months ended September 30, 2023
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥6,939	¥11,367
Net change during the period	8,386	7,723
Transfer to retained earnings	-	-
Balance at the end of the period	¥15,325	¥19,090
<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	¥(238)	¥513
Net change during the period	36	24
Transfer to retained earnings	240	-
Balance at the end of the period	¥38	¥537

8. Dividends

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 Company paid dividends 62.00 yen per share and the total amount of ¥8,405 million for the six months ended September 30, 2023.

The board of directors' meeting held on November 2, 2023 resolved a cash dividend of 62.00 yen per share and the total amount of ¥8,405 million will be paid for shareholders on record as of September 30, 2023.

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, 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
Revenue from external customers	¥97,991	¥33,308	¥9,297	¥7,763	¥148,359
Revenue recognized from contracts with customers	¥97,991	30,170	¥9,297	¥7,763	145,221
Revenue recognized from other sources	-	¥3,138	-	-	¥3,138

Note) Revenue recognized from other sources consists of revenue in accordance with IFRS 16, "Leases."

For the six months ended September 30, 2023

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥72,951	¥15,097	¥9,819	¥3,901	¥101,768
Amusement	9,266	-	-	-	9,266
Gaming & Systems	-	14,697	-	4,339	19,036
Sports	23,781	-	-	-	23,781
Revenue from external customers	¥105,998	¥29,794	¥9,819	¥8,240	¥153,851
Revenue recognized from contracts with customers	¥105,998	26,433	¥9,819	¥8,240	150,490
Revenue recognized from other sources	-	¥3,361	-	-	¥3,361

Note) Revenue recognized from other sources consists of revenue in accordance with IFRS 16, "Leases."

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, 2023 and September 30, 2023.

Millions of Yen

	As of March 31, 2023		As of September 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥21	¥21	¥28	¥28
Lease deposits	15,953	16,766	16,934	17,600
Other financial assets	1,184	1,104	1,272	1,176
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	1,738	1,738	1,772	1,772
Other investments (Non-securities)	72	72	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	80	80	80	80
Financial liabilities:				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥59,819	¥57,273	¥59,840	¥57,579
Other financial liabilities	2,160	2,160	2,103	2,103

(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, 2023 and September 30, 2023.

	Millions of Yen			
Balance at March 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	¥1,166	-	¥572	¥1,738
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	80	80
Total	¥1,166	-	¥724	¥1,890

	Millions of Yen			
Balance at September 30, 2023	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	¥1,200	-	¥572	¥1,772
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	80	80
Total	¥1,200	-	¥724	¥1,924

Other investments, which are classified as Level 3, have no significant changes for the six months ended September 30, 2023.

11. 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, 2022 and 2023 is as follows:

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit attributable to owners of the parent	19,847million yen	26,834million yen
Adjustments for profit used in the calculation of diluted earnings per share	9million yen	-million yen
Profit used in the calculation of diluted earnings per share	19,856million yen	26,834million yen
Basic weighted average ordinary shares outstanding	134,224,059shares	135,558,561shares
Adjustments for convertible bond-type bonds with subscription rights to shares	1,334,925shares	-shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,558,984shares	135,558,561shares
Earnings per share attributable to owners of the parent for the period		
Basic	147.87yen	197.95yen
Diluted	146.48yen	197.95yen

Note) Diluted earnings per share attributable to owners of the parent for the six months ended September 30, 2023 is presented as same amount as basic earnings per share attributable to owners of the parent for the period, since there are no potentially dilutive ordinary shares for the relevant period.

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended September 30, 2022 and 2023 is as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2023
Profit attributable to owners of the parent	8,415million yen	13,459million yen
Adjustments for profit used in the calculation of diluted earnings per share	3million yen	-million yen
Profit used in the calculation of diluted earnings per share	8,418million yen	13,459million yen
Basic weighted average ordinary shares outstanding	134,617,104shares	135,558,441shares
Adjustments for convertible bond-type bonds with subscription rights to shares	942,096shares	-shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,559,200shares	135,558,441shares
Earnings per share attributable to owners of the parent for the period		
Basic	62.52yen	99.29yen
Diluted	62.10yen	99.29yen

Note) Diluted earnings per share attributable to owners of the parent for the three months ended September 30, 2023 is presented as same amount as basic earnings per share attributable to owners of the parent for the period, since there are no potentially dilutive ordinary shares for the relevant period.

12. Subsequent Events

There have been no events after September 30, 2023 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

13. Approval of Quarterly Condensed Consolidated Financial Statements

The quarterly condensed consolidated financial statements were approved by Representative Director, President, Kimihiko Higashio, on November 10, 2023.

2. Business Review

(1) Business Overview

For the six months ended September 30, 2023, the domestic economy is expected to continue its moderate recovery, driven by improvements in the employment and income environment, however, the situation still remains uncertain due to issues including surge in energy costs and raw material costs, the impact on the economy of tightening monetary policies around the world, concerns about the future of the Chinese economy and rising geopolitical risks.

Amidst these circumstances, in terms of the business results of Konami Group for the six months ended September 30, 2023, both total revenue and all profit categories exceeded those of the same period of the previous fiscal year mainly due to improved profit margin of core contents in the Digital Entertainment business and solid performances in the Amusement, the Gaming & Systems and the Sports businesses, respectively. Total revenue for the six months ended September 30, 2023 continued to reach a record high, following on from the first quarter ended June 30, 2023.

In terms of the consolidated results for the six months ended September 30, 2023, total revenue amounted to ¥153,851 million (a year-on-year increase of 3.7%), business profit was ¥35,414 million (a year-on-year increase of 38.3%), operating profit was ¥35,443 million (a year-on-year increase of 39.6%), profit before income taxes was ¥37,008 million (a year-on-year increase of 34.7%), and profit attributable to owners of the parent was ¥26,834 million (a year-on-year increase of 35.2%).

(2) Performance by Business Segment

Summary of total revenue by business segment:

Millions of Yen, except percentages

	Six months ended September 30, 2022	Six months ended September 30, 2023	% change
Total revenue:			
Digital Entertainment	¥102,703	¥102,102	(0.6)
Amusement	7,179	10,002	39.3
Gaming & Systems	17,119	19,102	11.6
Sports	22,460	23,799	6.0
Intersegment eliminations	(1,102)	(1,154)	-
Total revenue	¥148,359	¥153,851	3.7

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.

Amidst these circumstances, as a new initiative for our business, we implemented a major update for *eFootball™ 2023*, which is available on home console, PC and mobile platforms, and began distribution of *eFootball™ 2024*. The more intuitive controls have been well received by players. We also began distribution of the new title *PAWAFURU PUROYAKYU Eikan Nine Cross Road*, which added new elements and modes to *Eikan Nine*—the most popular mode in the *PAWAFURU PUROYAKYU* series—and it has gotten off to a strong start. This title will be multi-platform, with the mobile version being distributed first. Furthermore, we released *SUPER BOMBERMAN R 2*, the latest in the *BOMBERMAN* series, in the computer and video game space. In addition, we have announced *Contra: Operation Galuga*, the latest entry in the *Contra* series. At the Tokyo Game Show 2023, we also made simultaneous announcements of the NFT Marketplace “Resella,” which is intended to provide services using blockchain technology to all types of customers, and the web3 project “PROJECT ZIRCON,” which allows customers to create fantasy worlds using blockchain technology, and the announcement drew the attention of the media.

As an ongoing initiative, *PROFESSIONAL BASEBALL SPIRITS A (ACE)* where we developed measures such as “Second Coming! JAPAN Selection,” in which the players of Samurai Japan who participated in the World Baseball Classic™ made a reappearance, and *Yu-Gi-Oh! MASTER DUEL*, where we celebrated 57.3 (pronounced “Konami” in Japanese) million downloads, have continued to enjoy a positive reception by many players, and are gathering momentum. Furthermore, in card games, we continued to develop a project to commemorate the 25th anniversary of Yu-Gi-Oh! card game and announced the special event “Yu-Gi-Oh! Duel Monsters: The Legend of Duelist Quarter Century,” to be held at the Tokyo Dome in February 2024, which received a great response.

In the eSports space, the eSports World Championship “Yu-Gi-Oh! World Championship 2023” was held at Tokyo Big Sight for the first time in four years to determine the world’s top duelists, which had been postponed in light of the COVID-19 pandemic and other factors. Winners and winning teams were selected in each category for *Yu-Gi-Oh! OFFICIAL CARD GAME DUEL MONSTERS* (Known overseas as *Yu-Gi-Oh! TRADING CARD GAME*), the mobile and PC game *Yu-Gi-Oh! DUEL LINKS* and for the digital card game *Yu-Gi-Oh! MASTER DUEL*, which was added this year. In addition, the semi-finals and finals of “eFootball™ Championship Open 2023 World Finals” were held at the eSports Ginza studio at the Konami Creative Center Ginza, where the players who won online qualifiers competed in heated matches.

In terms of financial performance, total revenue for the six months ended September 30, 2023 in this segment amounted to ¥102,102 million (a year-on-year decrease of 0.6%) and business profit for the six months ended September 30, 2023 amounted to ¥31,032 million (a year-on-year increase of 32.0%).

Amusement

Both domestic and international amusement markets are gradually recovering. In addition, deregulation in the sector is creating new opportunities for growth.

Amidst these circumstances, in our medal game business, the medal pusher game *Momotaro Dentetsu - Medal game mo teiban!-*, which was released in the previous fiscal year, continues to be well-received. In video games targeted at amusement facilities, for the *QUIZ MAGIC ACADEMY* series, which is celebrating its 20th anniversary since launch, *QUIZ MAGIC ACADEMY Ogon no Michishirube* launched with a new single-player mode featuring RPG elements, in addition to visual changes to the characters, to commemorate the series' 20th anniversary. In addition, for the *jubeat* series, a music game in which players touch a panel that glows in time with the music, we launched the latest series installment, *jubeat beyond the Ave.*, with many new songs. We also strove to expand the player base for *MAH-JONG FIGHT CLUB Extreme* by implementing measures to coincide with the opening of the professional mahjong league "M League 2023-24 season" and the popular "Japan Professional Mahjong League Voting Selection Tournament 2023" event. In the prize games space, we increased the number of seats available for play, operating hours, and the number of prizes that can be won in order to allow more players to enjoy the "KONAMI ONLINE PRIZE GAME" online crane game.

In the pachinko and pachislot machine space, *Boku girls Love Kyure 2*, *MAH-JONG FIGHT CLUB KAKUSEI* and *Sengoku Collection 5: Chou Gokuraku LOOP*, Konami's first "smart pachislot" titles, began operation.

In the eSports space, the *beatmania IIDX* regular stage opened in the "BEMANI PRO LEAGUE - SEASON 3-" professional league, which combines music and eSports, with heated competition leading up to the finals in October 2023.

In terms of financial performance, total revenue for the six months ended September 30, 2023 in this segment amounted to ¥10,002 million (a year-on-year increase of 39.3%) and business profit for the six months ended September 30, 2023 amounted to ¥1,193 million (a year-on-year increase of 13.6%).

Gaming & Systems

In the gaming market, the North American market and Australian market are growing steadily. In other regions, the markets as a whole are also moving toward recovery, especially led by Asian market.

Amidst these circumstances, in our slot machine business, the *DIMENSION* series is expanding its presence in the North American and Australian markets, where the series have won multiple awards. In terms of slot machine sales, we primarily sold *DIMENSION 27™* and *DIMENSION 49™*. In the area of participation (revenue share business), we are expanding the introduction of *DIMENSION 75C™* featuring a 75-inch curved monitor. In terms of gaming content, *All Aboard™* has recorded industry-leading operation continuously. Other titles have also been very well-received in the market such as *Dragon's Law™*, which allows players to enjoy effects featuring colorful dragons, and *Stuffed Coins™*, which features a rotating animation across the top screens of connected machines, following on and advanced from the features of *Ocean Spin™*, which has long been popular 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*TM which made cashless casinos possible, maintaining the strong performance.

In terms of financial performance, total revenue for the six months ended September 30, 2023 in this segment amounted to ¥19,102 million (a year-on-year increase of 11.6%) and business profit for the six months ended September 30, 2023 amounted to ¥3,117 million (a year-on-year increase of 55.7%).

Sports

In the sports market, rising energy prices continue to impact on business environment. Meanwhile, demands for sport and health promotion is growing due to the normalization of social and economic activities in Japan.

Amidst these circumstances, in our operation of sports clubs, we have continued to provide opportunities for exercise to more customers by expanding both the use of facilities and online lesson services. In response to popular demand, we have also expanded the number of facilities with servers that offer supplements, which makes it easy for users to consume protein and other beverages at any time in the facility, pre- and post-workout. In addition, the resumption of large-scale “REVIVAL” events utilizing popular studio programs at venues throughout Japan and other initiatives, which had been postponed at directly managed facilities due to COVID-19 behavioral restrictions, have resulted in a great deal of excitement. We will continue promoting initiatives to provide better support for the physical fitness of our members. For the “Undo Juku” exercise circle aimed at children, we are developing a variety of options to suit children, including swimming, gymnastics and dance, to encourage physical growth through sport. In addition to the five facilities we opened the swimming school in April 2023, we opened six new facilities in Kitahama and Shinsaibashi (Osaka City, Osaka), Kitaaji (Kyoto City, Kyoto), Kobe and Sannomiya (Kobe City, Hyogo), and Fukuoka Tenjin (Fukuoka City, Fukuoka) in September 2023. We also launched “Digital Note swimming school for adults,” a customized version of “Undo Juku Digital Note” which utilizes video and AI to improve the effectiveness of training, as a program for adults at 36 Konami Sports Clubs nationwide.

For “Pilates Mirror,” Pilates studios with mirrors on the ceiling, we opened five new studios, “Pilates Mirror Musashi-Koyama” (Shinagawa-ku, Tokyo), “Pilates Mirror Ookayama” (Ota-ku, Tokyo), “Pilates Mirror Sangen-Jaya” and “Pilates Mirror Chitose-Funabashi” (Setagaya-ku, Tokyo), and “Pilates Mirror Motosumiyoshi” (Kawasaki City, Kanagawa) during the three months ended September 30, 2023, bringing the total to 14. “Pilates Mirror” has been well received by many customers, with some of the studios having waiting lists for membership.

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 Tsugaru City, Aomori, Saitama City, Saitama, Asahi City, Chiba, Toshima-ku, Tokyo and Gifu City, Gifu.

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

In terms of financial performance, total revenue for the six months ended September 30, 2023 in this segment amounted to ¥23,799 million (a year-on-year increase of 6.0%) and business profit for the six months ended September 30, 2023 amounted to ¥1,600 million (a year-on-year increase of 219.4%).

3. Risk Factors

For the six-month period ended September 30, 2023, there is no significant change in risk factors which were described on the Annual Report for the year ended March 31, 2023.

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.