

KONAMI HOLDINGS CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Nine Months Ended December 31, 2020

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the nine-month period ended December 31, 2020 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI HOLDINGS CORPORATION filed its Quarterly Securities Report for the nine-month period ended December 31, 2020 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 12, 2021. The following is the outline of the Quarterly Securities Report.

I. Corporate Information

A. Corporate Overview

1. Selected Financial Data
2. Overview of Business

B. Business

1. Risks Relating to Our Business
2. Results of Operations and Financial position
3. Significant Contracts

C. Information on Reporting Company

1. Share Information
 - a. Total Number of Shares
 - b. Stock Acquisition Rights
 - c. Convertible Bonds Exercise
 - d. Common Stock and Additional Paid-in Capital
 - e. Major Shareholders
 - f. Voting Rights
2. Directors and Corporate Auditors

D. Financial Statements

1. Quarterly Condensed Consolidated Financial Statements
2. Others

II. Information on Guarantor

1. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2020	As of December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		¥131,432	¥188,437
Trade and other receivables		29,894	34,551
Inventories		10,000	12,354
Income tax receivables		1,924	452
Other current assets	10	14,493	9,495
Total current assets		187,743	245,289
Non-current assets			
Property, plant and equipment, net		116,631	117,444
Goodwill and intangible assets		34,423	38,533
Investment property		32,484	32,446
Investments accounted for using the equity method		3,128	3,278
Other investments	10	1,554	1,575
Other financial assets	10	17,229	16,115
Deferred tax assets		23,735	26,184
Other non-current assets		2,207	2,032
Total non-current assets		231,391	237,607
Total assets		419,134	482,896
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,10	28,265	5,175
Other financial liabilities	10	12,187	10,117
Trade and other payables		31,264	31,548
Income tax payables		2,997	7,309
Other current liabilities	5	22,053	27,207
Total current liabilities		96,766	81,356
Non-current liabilities			
Bonds and borrowings	6,10	9,855	69,616
Other financial liabilities	10	34,553	31,555
Provisions		6,674	6,415
Deferred tax liabilities		886	1,187
Other non-current liabilities		1,457	1,462
Total non-current liabilities		53,425	110,235
Total liabilities		150,191	191,591
Equity			
Share capital		47,399	47,399
Share premium		74,399	74,399
Treasury shares		(27,836)	(27,838)
Other components of equity	7	(89)	(801)
Retained earnings		174,268	197,341
Total equity attributable to owners of the parent		268,141	290,500
Non-controlling interests		802	805
Total equity		268,943	291,305
Total liabilities and equity		¥419,134	¥482,896

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 Nine months ended December 31, 2019 and 2020

				Millions of Yen	
	Note	Nine months ended December 31, 2019	Nine months ended December 31, 2020		
Revenue					
Product sales revenue		¥50,766	¥43,745		
Service and other revenue		142,340	148,185		
Total revenue	4,9	193,106	191,930		
Cost of revenue					
Cost of product sales revenue		(26,626)	(22,193)		
Cost of service and other revenue		(91,675)	(90,415)		
Total cost of revenue		(118,301)	(112,608)		
Gross profit		74,805	79,322		
Selling, general and administrative expenses		(41,220)	(33,519)		
Other income and other expenses, net	11	(9,609)	(5,274)		
Operating profit		23,976	40,529		
Finance income		244	93		
Finance costs		(832)	(1,308)		
Profit from investments accounted for using the equity method		106	207		
Profit before income taxes		23,494	39,521		
Income taxes		(7,182)	(12,515)		
Profit for the period		16,312	27,006		
Profit attributable to:					
Owners of the parent		16,309	27,003		
Non-controlling interests		¥3	¥3		

				Yen	
	Note	Nine months ended December 31, 2019	Nine months ended December 31, 2020		
Earnings per share (attributable to owners of the parent)					
Basic	12	¥120.60	¥202.70		
Diluted	12	¥118.80	¥199.46		

Three months ended December 31, 2019 and 2020

				Millions of Yen	
	Note	Three months ended December 31, 2019	Three months ended December 31, 2020		
Revenue					
Product sales revenue		¥19,927	¥16,737		
Service and other revenue		52,090	59,121		
Total revenue	4	72,017	75,858		
Cost of revenue					
Cost of product sales revenue		(10,226)	(8,228)		
Cost of service and other revenue		(34,459)	(35,708)		
Total cost of revenue		(44,685)	(43,936)		
Gross profit		27,332	31,922		
Selling, general and administrative expenses		(14,561)	(11,846)		
Other income and other expenses, net	11	(9,717)	(915)		
Operating profit		3,054	19,161		
Finance income		81	28		
Finance costs		(217)	(487)		
Profit from investments accounted for using the equity method		172	604		
Profit before income taxes		3,090	19,306		
Income taxes		(1,978)	(6,088)		
Profit for the period		1,112	13,218		
Profit attributable to:					
Owners of the parent		1,108	13,212		
Non-controlling interests		¥4	¥6		

				Yen	
	Note	Three months ended December 31, 2019	Three months ended December 31, 2020		
Earnings per share (attributable to owners of the parent)					
Basic	12	¥8.19	¥99.18		
Diluted	12	¥8.12	¥97.56		

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

Quarterly Condensed Consolidated Statement of Comprehensive Income
Nine months ended December 31, 2019 and 2020

		Millions of Yen	
	Note	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit for the period		¥16,312	¥27,006
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		6	14
Share of other comprehensive income of entity accounted for using the equity method		(0)	-
Total items that will not be reclassified to profit or loss		6	14
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(433)	(726)
Total items that may be reclassified to profit or loss		(433)	(726)
Total other comprehensive income		(427)	(712)
Total comprehensive income for the period		15,885	26,294
Comprehensive income attributable to:			
Owners of the parent		15,882	26,291
Non-controlling interests		¥3	¥3

Three months ended December 31, 2019 and 2020

Millions of Yen

	Note	Three months ended December 31, 2019	Three months ended December 31, 2020
Profit for the period		¥1,112	¥13,218
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		19	(4)
Share of other comprehensive income of entity accounted for using the equity method		0	-
Total items that will not be reclassified to profit or loss		19	(4)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		1,083	(370)
Total items that may be reclassified to profit or loss		1,083	(370)
Total other comprehensive income		1,102	(374)
Total comprehensive income for the period		2,214	12,844
Comprehensive income attributable to:			
Owners of the parent		2,210	12,838
Non-controlling interests		¥4	¥6

(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, 2019		¥47,399	¥74,426	¥(21,325)	¥1,583	¥173,544	¥275,627	¥777	¥276,404
Changes in accounting policies						(5,180)	(5,180)		(5,180)
Beginning balance after adjusting		47,399	74,426	(21,325)	1,583	168,364	270,447	777	271,224
Profit for the period						16,309	16,309	3	16,312
Other comprehensive income					(427)		(427)	0	(427)
Total comprehensive income for the period		-	-	-	(427)	16,309	15,882	3	15,885
Purchase of treasury shares				(3)			(3)		(3)
Dividends	8					(13,997)	(13,997)		(13,997)
Changes in ownership interests in subsidiaries			(27)				(27)	20	(7)
Transfer from other components of equity to retained earnings					(9)	9	-		-
Total transactions with the owners		-	(27)	(3)	(9)	(13,988)	(14,027)	20	(14,007)
Balance at December 31, 2019		¥47,399	¥74,399	¥(21,328)	¥1,147	¥170,685	¥272,302	¥800	¥273,102

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, 2020		¥47,399	¥74,399	¥(27,836)	¥(89)	¥174,268	¥268,141	¥802	¥268,943
Profit for the period						27,003	27,003	3	27,006
Other comprehensive income					(712)		(712)		(712)
Total comprehensive income for the period		-	-	-	(712)	27,003	26,291	3	26,294
Purchase of treasury shares				(2)			(2)		(2)
Disposal of treasury shares			0	0			0		0
Dividends	8					(3,930)	(3,930)		(3,930)
Total transactions with the owners		-	0	(2)	-	(3,930)	(3,932)	-	(3,932)
Balance at December 31, 2020		¥47,399	¥74,399	¥(27,838)	¥(801)	¥197,341	¥290,500	¥805	¥291,305

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

(4) Quarterly Condensed Consolidated Statement of Cash Flows

		Millions of Yen	
	Note	Nine months ended December 31, 2019	Nine months ended December 31, 2020
<i>Operating activities</i>			
Profit for the period		¥16,312	¥27,006
Depreciation and amortization		20,017	14,607
Impairment losses		9,396	907
Interest and dividends income		(231)	(59)
Interest expense		675	677
Loss on sale or disposal of property, plant and equipment		79	249
Profit from investments accounted for using the equity method		(106)	(207)
Income taxes		7,182	12,515
Decrease (increase) in trade and other receivables		1,898	(5,067)
Increase in inventories		(2,693)	(2,272)
(Decrease) increase in trade and other payables		(1,868)	1,930
Increase in prepaid expense		(1,200)	(1,628)
(Decrease) increase in contract liabilities		(795)	8,344
Other, net		(1,627)	1,508
Interest and dividends received		246	73
Interest paid		(640)	(527)
Income taxes paid		(12,189)	(11,026)
<i>Net cash provided by operating activities</i>		34,456	47,030
<i>Investing activities</i>			
Capital expenditures		(50,378)	(16,814)
Payments for lease deposits		(649)	(222)
Proceeds from refunds of lease deposits		1,338	5,242
Payments for asset retirement obligations		(12)	(3,274)
Payments into time deposits		(1,034)	-
Proceeds from withdrawal of time deposits		-	586
Other, net		(387)	1
<i>Net cash used in investing activities</i>		(51,122)	(14,481)
<i>Financing activities</i>			
Proceeds from short-term (more than 3 months) borrowings		5,429	7,449
Repayments of short-term (more than 3 months) borrowings		(6,516)	(30,301)
Proceeds from issuance of bonds	6	-	60,000
Redemption of bonds	6	(5,000)	-
Principal payments of lease liabilities		(9,951)	(8,225)
Dividends paid	8	(13,976)	(3,924)
Other, net		(11)	(302)
<i>Net cash (used in) provided by financing activities</i>		(30,025)	24,697
Effect of exchange rate changes on cash and cash equivalents		(412)	(241)
Net (decrease) increase in cash and cash equivalents		(47,103)	57,005
Cash and cash equivalents at the beginning of the period		159,242	131,432
<i>Cash and cash equivalents at the end of the period</i>		¥112,139	¥188,437

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

Notes to Quarterly Condensed Consolidated Financial Statements

1. Reporting Entity

KONAMI HOLDINGS 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, 2020, 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, 2020 and is mainly as follows:

(The impact of COVID-19)

In regard to estimating value in use for impairment loss of property, plant and equipment, we assume that the coronavirus outbreak will continue to have an effect on our business activities over the fiscal year ending March 31, 2021, mainly in the first quarter of the fiscal year ending March 31, 2021. However, the assumption could be revised, depending on when the outbreak settles down.

Given the uncertainty around the coronavirus outbreak, we are not able to reasonably calculate the impact of changes in assumption of estimates.

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, 2020 with the exception of the item described hereunder.

Standards	Title	Overview of new/revised Standards
IFRS 16	Leases	Covid-19-Related Rent Concessions Amendment

Konami Group has applied “Covid-19-Related Rent Concessions Amendment to IFRS 16” (issued in May 2020) early from the first quarter of the fiscal year ending March 31, 2021. This amendment allows a lessee of a lease subject to a rent concession occurring as a direct consequence of the COVID-19 pandemic to elect to apply the practical expedient that the lessee may not assess whether a rent concession that meets certain prescribed conditions is a lease modification as stipulated in IFRS 16.

Konami Group has elected to apply this practical expedient for rent concessions that meet certain prescribed conditions, however, the impact on profit before income taxes for the nine months ended December 31, 2020 was immaterial.

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.

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. Corporate expenses primarily consist of administrative expenses not directly associated with specific segments.

Intersegment eliminations primarily consist of 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 nine months ended December 31, 2020.

(1) Operating segment information

Revenue for the nine months ended December 31, 2019 and 2020

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Revenue:		
Digital Entertainment -		
External customers	¥108,200	¥144,136
Intersegment	467	497
Total	¥108,667	¥144,633
Amusement -		
External customers	¥15,968	¥10,345
Intersegment	519	921
Total	¥16,487	¥11,266
Gaming & Systems -		
External customers	¥22,980	¥11,754
Intersegment	-	-
Total	¥22,980	¥11,754
Sports -		
External customers	¥45,958	¥25,695
Intersegment	234	230
Total	¥46,192	¥25,925
Intersegment eliminations	¥(1,220)	¥(1,648)
Consolidated	¥193,106	¥191,930

Revenue for the three months ended December 31, 2019 and 2020

	Millions of Yen	
	Three months ended December 31, 2019	Three months ended December 31, 2020
Revenue:		
Digital Entertainment -		
External customers	¥41,520	¥56,189
Intersegment	165	172
Total	¥41,685	¥56,361
Amusement -		
External customers	¥7,329	¥4,338
Intersegment	149	341
Total	¥7,478	4,679
Gaming & Systems -		
External customers	¥8,115	¥4,604
Intersegment	-	-
Total	¥8,115	¥4,604
Sports -		
External customers	¥15,053	¥10,727
Intersegment	78	76
Total	¥15,131	¥10,803
Intersegment eliminations	¥(392)	¥(589)
Consolidated	¥72,017	¥75,858

Konami Group defines business profit associated with each segment as segment profit. Business profit is calculated by deducting “cost of revenue” and “selling, general and administrative expenses” from “revenue.”

Business profit (loss) for the nine months ended December 31, 2019 and 2020

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Business profit (loss):		
Digital Entertainment	¥29,051	¥52,120
Amusement	3,766	1,196
Gaming & Systems	2,423	(1,486)
Sports	2,203	(4,027)
Total segment profit and loss, net	37,443	47,803
Corporate expenses and eliminations	(3,858)	(2,000)
Total business profit and loss, net	33,585	45,803
Other income and other expenses, net	(9,609)	(5,274)
Finance income and finance costs, net	(588)	(1,215)
Profit from investments accounted for using the equity method	106	207
Profit before income taxes	¥23,494	¥39,521

Business profit (loss) for the three months ended December 31, 2019 and 2020

	Millions of Yen	
	Three months ended December 31, 2019	Three months ended December 31, 2020
Business profit (loss):		
Digital Entertainment	¥10,319	¥21,072
Amusement	2,206	899
Gaming & Systems	771	(250)
Sports	729	(1,034)
Total segment profit and loss, net	14,025	20,687
Corporate expenses and eliminations	(1,254)	(611)
Total business profit and loss, net	12,771	20,076
Other income and other expenses, net	(9,717)	(915)
Finance income and finance costs, net	(136)	(459)
Profit from investments accounted for using the equity method	172	604
Profit before income taxes	¥3,090	¥19,306

Corporate expenses primarily consist of personnel costs, advertising expenses and rental expenses, which substantially relate to our administrative department.

(2) Geographic information

Revenue from external customers for the nine months ended December 31, 2019 and 2020

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Revenue:		
Japan	¥149,253	¥153,931
United States	28,270	21,333
Europe	8,803	10,566
Asia/Oceania	6,780	6,100
Consolidated	¥193,106	¥191,930

Revenue from external customers for the three months ended December 31, 2019 and 2020

	Millions of Yen	
	Three months ended December 31, 2019	Three months ended December 31, 2020
Revenue:		
Japan	¥55,024	¥60,455
United States	10,230	8,420
Europe	3,937	4,028
Asia/Oceania	2,826	2,955
Consolidated	¥72,017	¥75,858

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, 2020 and December 31, 2020.

	Millions of Yen	
	As of March 31, 2020	As of December 31, 2020
Contract liabilities	¥10,609	¥18,944
Others	11,444	8,263
Total	¥22,053	¥27,207

6. Bonds

For the nine months ended December 31, 2019, there was a redemption of unsecured bonds of ¥5,000 million (interest 0.66%, due September 2019). There was no issuance of bonds.

For the nine months ended December 31, 2020, there was an issuance of unsecured bonds of ¥20,000 million (interest 0.22%, due July 2025), ¥20,000 million (interest 0.38%, due July 2027) and ¥20,000 million (interest 0.48%, due July 2030). There was no redemption of bonds.

7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥1,473	¥(162)
Net change during the period	(433)	(726)
Transfer to retained earnings	-	-
Balance at the end of the period	¥1,040	¥(888)
<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	¥110	¥73
Net change during the period	6	14
Transfer to retained earnings	(9)	-
Balance at the end of the period	¥107	¥87
<i>Share of other comprehensive income of entity accounted for using the equity method</i>		
Balance at the beginning of the period	¥(0)	-
Net change during the period	(0)	-
Transfer to retained earnings	-	-
Balance at the end of the period	¥(0)	-

8. Dividends

The Company paid dividends 103.50 yen per share and the total amount of ¥13,997 million for the nine months ended December 31, 2019. The cash dividend per share included a commemorative dividend for the 50th anniversary of the Company's founding of 25.00 yen.

The Company paid dividends 29.50 yen per share and the total amount of ¥3,930 million for the nine months ended December 31, 2020.

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 nine months ended December 31, 2019

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥87,614	¥9,312	¥8,803	¥2,471	¥108,200
Amusement	15,681	-	-	287	15,968
Gaming & Systems	-	18,958	-	4,022	22,980
Sports	45,958	-	-	-	45,958
Total revenue	¥149,253	¥28,270	¥8,803	¥6,780	¥193,106

For the nine months ended December 31, 2020

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥117,977	¥12,080	¥10,566	¥3,513	¥144,136
Amusement	10,259	-	-	86	10,345
Gaming & Systems	-	9,253	-	2,501	11,754
Sports	25,695	-	-	-	25,695
Total revenue	¥153,931	¥21,333	¥10,566	¥6,100	¥191,930

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, 2020 and December 31, 2020.

	Millions of Yen			
	As of March 31, 2020		As of December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥244	¥282	¥212	¥248
Lease deposit	22,581	22,845	18,095	18,283
Other financial assets	1,159	1,148	978	971
Equity financial assets measured at fair value through other comprehensive income				
Securities	1,462	1,462	1,483	1,483
Other investments	72	72	72	72
Financial assets measured at fair value through profit or loss				
Other investments	20	20	20	20
Financial liabilities:				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥38,120	¥38,008	¥74,791	¥72,663
Other financial liabilities	3,037	3,037	3,030	3,030
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities	-	-	4	4

(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, 2020 and December 31, 2020.

	Millions of Yen			
Balance at March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Securities	¥494	-	¥968	¥1,462
Other investments	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥494	-	¥1,060	¥1,554

	Millions of Yen			
Balance at December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Securities	¥515	-	¥968	¥1,483
Other investments	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥515	-	¥1,060	¥1,575

Securities and other investments, which are classified as Level 3, have no significant changes for the nine months ended December 31, 2020.

11. Other Income and Other Expenses

For the nine months ended December 31, 2019, impairment loss of ¥9,396 million was incurred in “Other income and other expenses, net” in the quarterly condensed consolidated statements of profit or loss. This is mainly due to impairment loss of ¥3,057 million for right-of-use assets. The asset, which had been a rental building, was identified as an idle asset by relocation to our owned new building, “Konami Creative Center Ginza.” In addition, amidst the increasingly competitive environment surrounding the sports business, impairment loss of ¥6,205 million for property, plant and equipment and goodwill were also recognized, looking to improve and strengthen our profit structure.

For the nine months ended December 31, 2020, COVID-19 related loss of ¥5,723 million was recognized and included in the line item “other income and other expenses, net” during the three months ended June 30, 2020. 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 coronavirus outbreak.

During the three months ended September 30, 2020, we received employment adjustment subsidies from the government, which is a leave allowance related to COVID-19. In accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance,” the subsidies of ¥1,075 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, 2020.

12. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the nine months ended December 31, 2019 and 2020 is as follows:

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit attributable to owners of the parent	16,309 million yen	27,003 million yen
Adjustments for profit used in the calculation of diluted earnings per share	27 million yen	27 million yen
Profit used in the calculation of diluted earnings per share	16,336 million yen	27,030 million yen
Basic weighted average ordinary shares outstanding	135,232,809 shares	133,214,348 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,285,662 shares	2,299,114 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	137,518,471 shares	135,513,462 shares
Earnings per share attributable to owners of the parent for the period		
Basic	120.60 yen	202.70 yen
Diluted	118.80 yen	199.46 yen

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended December 31, 2019 and 2020 is as follows:

	Three months ended December 31, 2019	Three months ended December 31, 2020
Profit attributable to owners of the parent	1,108 million yen	13,212 million yen
Adjustments for profit used in the calculation of diluted earnings per share	9 million yen	9 million yen
Profit used in the calculation of diluted earnings per share	1,117 million yen	13,221 million yen
Basic weighted average ordinary shares outstanding	135,232,587 shares	133,214,175 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,285,662 shares	2,299,114 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	137,518,249 shares	135,513,289 shares
Earnings per share attributable to owners of the parent for the period		
Basic	8.19 yen	99.18 yen
Diluted	8.12 yen	97.56 yen

13. Subsequent Events

There have been no events after December 31, 2020 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 February 9, 2021.