

KONAMI HOLDINGS CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Six Months Ended September 30, 2021

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the six-month period ended September 30, 2021 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI HOLDINGS CORPORATION filed its Quarterly Securities Report for the six-month period ended September 30, 2021 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 11, 2021. 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, 2021	As of September 30, 2021
Assets			
Current assets			
Cash and cash equivalents		¥202,430	¥222,410
Trade and other receivables		31,874	27,652
Inventories		10,391	8,424
Income tax receivables		12,470	800
Other current assets	10	9,516	12,776
Total current assets		266,681	272,062
Non-current assets			
Property, plant and equipment, net		106,025	108,523
Goodwill and intangible assets		36,813	43,473
Investment property		32,433	32,408
Investments accounted for using the equity method		3,128	2,909
Other investments	10	1,590	1,581
Other financial assets	10	15,491	15,392
Deferred tax assets		25,051	23,209
Other non-current assets		1,794	1,717
Total non-current assets		222,325	229,212
Total assets		489,006	501,274
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,10	5,535	5,596
Other financial liabilities	10	12,570	10,755
Trade and other payables		32,827	27,762
Income tax payables		3,027	4,503
Other current liabilities	5	25,901	20,914
Total current liabilities		79,860	69,530
Non-current liabilities			
Bonds and borrowings	6,10	69,640	68,108
Other financial liabilities	10	26,227	27,541
Provisions		10,694	10,714
Deferred tax liabilities		1,332	1,572
Other non-current liabilities		1,711	1,678
Total non-current liabilities		109,604	109,613
Total liabilities		189,464	179,143
Equity			
Share capital		47,399	47,399
Share premium		74,399	75,001
Treasury shares		(27,843)	(26,866)
Other components of equity	7	2,173	2,351
Retained earnings		202,599	223,430
Total equity attributable to owners of the parent		298,727	321,315
Non-controlling interests		815	816
Total equity		299,542	322,131
Total liabilities and equity		¥489,006	¥501,274

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, 2020 and 2021

		Millions of Yen	
	Note	Six months ended September 30, 2020	Six months ended September 30, 2021
Revenue			
Product sales revenue		¥27,008	¥39,562
Service and other revenue		89,064	99,924
Total revenue	4,9	116,072	139,486
Cost of revenue			
Cost of product sales revenue		(13,965)	(18,471)
Cost of service and other revenue		(54,707)	(57,256)
Total cost of revenue		(68,672)	(75,727)
Gross profit		47,400	63,759
Selling, general and administrative expenses		(21,673)	(25,120)
Other income and other expenses, net	11	(4,359)	471
Operating profit		21,368	39,110
Finance income		65	149
Finance costs		(821)	(423)
Loss from investments accounted for using the equity method		(397)	(163)
Profit before income taxes		20,215	38,673
Income taxes		(6,427)	(11,114)
Profit for the period		13,788	27,559
Profit attributable to:			
Owners of the parent		13,791	27,558
Non-controlling interests		¥(3)	¥1

		Yen	
	Note	Six months ended September 30, 2020	Six months ended September 30, 2021
Earnings per share (attributable to owners of the parent)			
Basic	12	¥103.52	¥206.79
Diluted	12	¥101.90	¥203.47

Three months ended September 30, 2020 and 2021

		Millions of Yen	
	Note	Three months ended September 30, 2020	Three months ended September 30, 2021
Revenue			
Product sales revenue		¥14,527	¥20,558
Service and other revenue		48,658	50,602
Total revenue	4	63,185	71,160
Cost of revenue			
Cost of product sales revenue		(7,562)	(10,085)
Cost of service and other revenue		(31,057)	(29,667)
Total cost of revenue		(38,619)	(39,752)
Gross profit		24,566	31,408
Selling, general and administrative expenses		(11,190)	(13,047)
Other income and other expenses, net	11	1,220	1,312
Operating profit		14,596	19,673
Finance income		19	115
Finance costs		(481)	(212)
Loss from investments accounted for using the equity method		(203)	(18)
Profit before income taxes		13,931	19,558
Income taxes		(4,337)	(5,657)
Profit for the period		9,594	13,901
Profit attributable to:			
Owners of the parent		9,598	13,899
Non-controlling interests		¥(4)	¥2

		Yen	
	Note	Three months ended September 30, 2020	Three months ended September 30, 2021
Earnings per share (attributable to owners of the parent)			
Basic	12	¥72.04	¥104.26
Diluted	12	¥70.89	¥102.62

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

Quarterly Condensed Consolidated Statement of Comprehensive Income
Six months ended September 30, 2020 and 2021

	Note	Six months ended September 30, 2020	Six months ended September 30, 2021
Millions of Yen			
Profit for the period		¥13,788	¥27,559
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		18	(9)
Total items that will not be reclassified to profit or loss		18	(9)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(356)	187
Total items that may be reclassified to profit or loss		(356)	187
Total other comprehensive income		(338)	178
Total comprehensive income for the period		13,450	27,737
Comprehensive income attributable to:			
Owners of the parent		13,453	27,736
Non-controlling interests		¥(3)	¥1

Three months ended September 30, 2020 and 2021

		Millions of Yen	
	Note	Three months ended September 30, 2020	Three months ended September 30, 2021
Profit for the period		¥9,594	¥13,901
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		11	10
Total items that will not be reclassified to profit or loss		11	10
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(459)	218
Total items that may be reclassified to profit or loss		(459)	218
Total other comprehensive income		(448)	228
Total comprehensive income for the period		9,146	14,129
Comprehensive income attributable to:			
Owners of the parent		9,150	14,127
Non-controlling interests		¥(4)	¥2

(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, 2020		¥47,399	¥74,399	¥(27,836)	¥(89)	¥174,268	¥268,141	¥802	¥268,943
Profit for the period						13,791	13,791	(3)	13,788
Other comprehensive income					(338)		(338)		(338)
Total comprehensive income for the period		-	-	-	(338)	13,791	13,453	(3)	13,450
Purchase of treasury shares				(0)			(0)		(0)
Disposal of treasury shares			0	0			0		0
Dividends	8					(933)	(933)		(933)
Total transactions with the owners		-	0	(0)	-	(933)	(933)	-	(933)
Balance at September 30, 2020		¥47,399	¥74,399	¥(27,836)	¥(427)	¥187,126	¥280,661	¥799	¥281,460

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

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, 2020	Six months ended September 30, 2021
Operating activities			
Profit for the period		¥13,788	¥27,559
Depreciation and amortization		9,407	8,216
Impairment losses		34	128
Interest and dividends income		(45)	(38)
Interest expense		444	410
Loss on sale or disposal of property, plant and equipment		30	13
Loss from investments accounted for using the equity method		397	163
Income taxes		6,427	11,114
Decrease in trade and other receivables		1,349	4,332
(Increase) decrease in inventories		(503)	1,986
Decrease in trade and other payables		(3,580)	(6,315)
Increase in prepaid expense		(1,767)	(3,000)
Increase (decrease) in contract liabilities		2,965	(4,631)
Other, net		2,102	(1,799)
Interest and dividends received		59	38
Interest paid		(370)	(363)
Income taxes (paid) refund		(7,683)	5,718
Net cash provided by operating activities		23,054	43,531
Investing activities			
Capital expenditures		(9,963)	(10,829)
Payments for lease deposits		(220)	(569)
Proceeds from refunds of lease deposits		502	1,211
Payments for asset retirement obligations		(181)	(1,317)
Payments into time deposits		-	(574)
Proceeds from withdrawal of time deposits		586	403
Other, net		183	102
Net cash used in investing activities		(9,093)	(11,573)
Financing activities			
Proceeds from short-term (more than 3 months) borrowings		5,364	5,496
Repayments of short-term (more than 3 months) borrowings		(28,216)	(5,496)
Proceeds from issuance of bonds	6	60,000	-
Principal payments of lease liabilities		(6,021)	(5,404)
Dividends paid	8	(935)	(6,720)
Other, net		(300)	(5)
Net cash provided by (used in) financing activities		29,892	(12,129)
Effect of exchange rate changes on cash and cash equivalents		(78)	151
Net increase in cash and cash equivalents		43,775	19,980
Cash and cash equivalents at the beginning of the period		131,432	202,430
Cash and cash equivalents at the end of the period		¥175,207	¥222,410

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, 2021, 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, 2021 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 assume that the spread of COVID-19 will continue to have an effect on our business activities over the fiscal year ending March 31, 2022 and the market will recover modestly over multiple years. However, the assumption could be revised, depending on when the actual spread of COVID-19 settles down.

Given the uncertainty around the spread of COVID-19, 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, 2021.

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, 2021.

(1) Operating segment information

For the six months ended September 30, 2020

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥87,947	¥6,007	¥7,150	¥14,968	¥116,072	-	¥116,072
Intersegment	325	580	-	154	1,059	¥(1,059)	-
Total	88,272	6,587	7,150	15,122	117,131	(1,059)	116,072
Business profit	¥31,048	¥297	¥(1,236)	¥(2,993)	¥27,116	¥(1,389)	25,727
Other income and other expenses, net	-	-	-	-	-	-	(4,359)
Operating profit	-	-	-	-	-	-	21,368
Finance income and finance costs, net	-	-	-	-	-	-	(756)
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(397)
Profit before income taxes	-	-	-	-	-	-	¥20,215

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 three months ended September 30, 2020

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥45,259	¥3,446	¥4,173	¥10,307	¥63,185	-	¥63,185
Intersegment	173	267	-	76	516	¥(516)	-
Total	45,432	3,713	4,173	10,383	63,701	(516)	63,185
Business profit	¥15,739	¥537	¥(311)	¥(1,892)	¥14,073	¥(697)	13,376
Other income and other expenses, net	-	-	-	-	-	-	1,220
Operating profit	-	-	-	-	-	-	14,596
Finance income and finance costs, net	-	-	-	-	-	-	(462)
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(203)
Profit before income taxes	-	-	-	-	-	-	¥13,931

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

(2) Geographic information

Revenue from external customers for the six months ended September 30, 2020 and 2021

Millions of Yen

	Six months ended September 30, 2020	Six months ended September 30, 2021
Revenue:		
Japan	¥93,476	¥109,220
United States	12,913	18,203
Europe	6,538	6,465
Asia/Oceania	3,145	5,598
Consolidated	¥116,072	¥139,486

Revenue from external customers for the three months ended September 30, 2020 and 2021

	Millions of Yen	
	Three months ended September 30, 2020	Three months ended September 30, 2021
Revenue:		
Japan	¥50,830	¥56,686
United States	7,444	8,747
Europe	3,314	3,095
Asia/Oceania	1,597	2,632
Consolidated	¥63,185	¥71,160

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, 2021 and September 30, 2021.

	Millions of Yen	
	As of March 31, 2021	As of September 30, 2021
Contract liabilities	¥14,128	¥9,501
Others	11,773	11,413
Total	¥25,901	¥20,914

6. Bonds

For the six months ended September 30, 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 neither conversion nor redemption of 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.

7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Six months ended September 30, 2020	Six months ended September 30, 2021
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥(162)	¥2,077
Net change during the period	(356)	187
Transfer to retained earnings	-	-
Balance at the end of the period	¥(518)	¥2,264
<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	¥73	¥96
Net change during the period	18	(9)
Transfer to retained earnings	-	-
Balance at the end of the period	¥91	¥87

8. Dividends

The Company paid dividends 7.00 yen per share and the total amount of ¥933 million for the six months ended September 30, 2020.

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 board of directors' meeting held on November 4, 2021 resolved a cash dividend of 36.50 yen per share and the total amount of ¥4,876 million will be paid for shareholders on record as of September 30, 2021.

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, 2020

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥72,549	¥6,978	¥6,538	¥1,882	¥87,947
Amusement	5,959	-	-	48	6,007
Gaming & Systems	-	5,935	-	1,215	7,150
Sports	14,968	-	-	-	14,968
Total revenue	¥93,476	¥12,913	¥6,538	¥3,145	¥116,072

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

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, 2021 and September 30, 2021.

Millions of Yen

	As of March 31, 2021		As of September 30, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥203	¥227	¥186	¥210
Lease deposit	18,046	18,654	18,298	19,429
Other financial assets	1,266	1,256	1,092	1,084
Equity financial assets measured at fair value through other comprehensive income				
Securities	1,498	1,498	1,489	1,489
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	¥75,175	¥73,082	¥73,704	¥71,802
Other financial liabilities	3,035	3,035	3,036	3,036
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities	-	-	11	11

(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, 2021 and September 30, 2021.

	Millions of Yen			
Balance at March 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Securities	¥530	-	¥968	¥1,498
Other investments	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥530	-	¥1,060	¥1,590

	Millions of Yen			
Balance at September 30, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Securities	¥516	-	¥973	¥1,489
Other investments	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥516	-	¥1,065	¥1,581

Securities and other investments, which are classified as Level 3, have no significant changes for the six months ended September 30, 2021.

11. Other Income and Other Expenses

During the three months ended June 30, 2020 and 2021, COVID-19-related loss of ¥5,723 million and ¥862 million were recognized and included in the line item “other income and other expenses, net,” respectively. 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, 2020 and 2021, 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 and ¥206 million were deducted from COVID-19 related loss included in the line item “other

income and other expenses, net,” respectively, which were 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 and 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, 2020 and 2021 is as follows:

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit attributable to owners of the parent	13,791 million yen	27,558 million yen
Adjustments for profit used in the calculation of diluted earnings per share	18 million yen	18 million yen
Profit used in the calculation of diluted earnings per share	13,809 million yen	27,576 million yen
Basic weighted average ordinary shares outstanding	133,214,445 shares	133,265,479 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,299,114 shares	2,263,965 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,513,559 shares	135,529,444 shares
Earnings per share attributable to owners of the parent for the period		
Basic	103.52 yen	206.79 yen
Diluted	101.90 yen	203.47 yen

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended September 30, 2020 and 2021 is as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2021
Profit attributable to owners of the parent	9,598 million yen	13,899 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	9,607 million yen	13,908 million yen
Basic weighted average ordinary shares outstanding	133,214,399 shares	133,304,747 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,299,114 shares	2,224,500 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,513,513 shares	135,529,247 shares
Earnings per share attributable to owners of the parent for the period		
Basic	72.04 yen	104.26 yen
Diluted	70.89 yen	102.62 yen

13. Subsequent Events

There have been no events after September 30, 2021 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 9, 2021.

2. Business Review

(1) Business Overview

For the six months ended September 30, 2021, we were faced with a difficult situation where the number of people infected with COVID-19 drastically increased, caused by factors such as the spread of a variant strain of the virus. However, due to the progress made with vaccinations and other measures, we are beginning to see a gradual recovery. Although the situation remains unpredictable, we have seen that efforts are being made to resume socioeconomic activities.

Amidst these circumstances, in terms of the business results of Konami Group for the six months ended September 30, 2021, in addition to continued strong performance in the Digital Entertainment business, efforts to recover our performance in the Amusement business, Gaming & Systems business and Sports business have begun to show results although the impact of the spread of COVID-19 remains. As a result, revenues have increased, and business profit, operating profit, profit before income taxes and profit attributable to owners of the parent for the six months ended September 30, 2021 have reached a record high for the first half of the fiscal year.

In terms of the consolidated results for the six months ended September 30, 2021, total revenue amounted to ¥139,486 million (a year-on-year increase of 20.2%), business profit was ¥38,639 million (a year-on-year increase of 50.2%), operating profit was ¥39,110 million (a year-on-year increase of 83.0%), profit before income taxes was ¥38,673 million (a year-on-year increase of 91.3%), and profit attributable to owners of the parent was ¥27,558 million (a year-on-year increase of 99.8%).

(2) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Six months ended September 30, 2020	Six months ended September 30, 2021	% change
Total revenue:			
Digital Entertainment	¥88,272	¥98,632	11.7
Amusement	6,587	9,959	51.2
Gaming & Systems	7,150	12,274	71.7
Sports	15,122	19,942	31.9
Intersegment eliminations	(1,059)	(1,321)	-
Total revenue	¥116,072	¥139,486	20.2

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 rollout of next generation communication systems. In conjunction with the changing times, the preference for enriching daily life through full and abundant experiences in personal spending has been strengthened. Furthermore, new experiences through game content are being offered in various ways, including eSports, which is regarded as a form of sports competition and is becoming well-known to a wide range of users and attracting more and more fans.

Amidst these circumstances, *eFootball Winning Eleven 2021* (Known overseas as *eFootball PES 2021*), with the cumulative number of downloads around the world having reached 450 million, and *Yu-Gi-Oh! DUEL LINKS* led our revenue in our mobile games business. In the domestic market, *PROFESSIONAL BASEBALL SPIRITS A (Ace)*, which included campaigns such as allowing players to acquire Samurai Japan players, has continued to perform well, and *JIKKYOU PAWAFURU PUROYAKYU* has been well-received by our customers. In addition, we released *Castlevania: Grimoire of Souls* on the Apple Arcade service as the latest entry in the *Castlevania* series.

In the card game space, we continued the global expansion of *Yu-Gi-Oh! TRADING CARD GAME*, and even amidst the COVID-19 pandemic, it received strong support, both in Japan and overseas. At the same time, we worked to promote *Yu-Gi-Oh! RUSH DUEL* with a focus on younger customers through measures such as selling prebuilt decks used by characters who appear in the anime at a reasonable price, to make it easy for players to get started.

In the computer and video games space, *Momotaro Dentetsu: Showa, Heisei, Reiwa mo teiban*, which we updated to add new functionality, as well as *SUPER BOMBERMAN R ONLINE*, which has surpassed three million total downloads worldwide, have continued to garner attention from customers. We sold *eBASEBALL PROFESSIONAL BASEBALL SPIRITS 2021 Grand slam* and *Yu-Gi-Oh! RUSH DUEL*:

Saikyou Battle Royale!! for the Nintendo Switch™ as new titles, and worked to jump-start their content even further. In addition, we launched *eFootball™ 2022* as a new brand to be developed, a free-to-play game powered by a new game engine, which is being enjoyed by a wide range of players.

In the eSports space, we held the final stage of the “KC Grand Tournament 2021,” a large-scale online global tournament for *Yu-Gi-Oh! DUEL LINKS*, to decide the champion. For the *eFootball Winning Eleven 2021* mobile game, we hosted the finals for “MEIJI YASUDA eJ.LEAGUE Winning Eleven 2021 Season” jointly with the Japan Professional Football League (J.League), and presented a hotly contested battle for the title of the winning club. Furthermore, for *eBASEBALL PAWAFURU PUROYAKYU 2020*, we hosted the “eALL STAR 2021” jointly with the Nippon Professional Baseball Organization (NPB), and held the final showdown by professional players.

In terms of financial performance, total revenue for the six months ended September 30, 2021 in this segment amounted to ¥98,632 million (a year-on-year increase of 11.7%) and business profit for the six months ended September 30, 2021 amounted to ¥35,848 million (a year-on-year increase of 15.5%).

Amusement

In the amusement market, the global spread of COVID-19 has continued to affect sales of devices because of the temporary closure of amusement facilities, in addition to having an impact on e-amusement participation (revenue share business). For domestic amusement facilities, operations resumed after last year’s state-of-emergency declaration and the prefectural business closure requests were lifted, and the number of visitors is recovering, however, the state-of-emergency being declared once again had some effect. Overseas, the market is still expected to take time to recover.

Amidst these circumstances, in our business for video games targeted at amusement facilities, we held many online events, such as “BEMANI 2021 Midsummer Song Five-Match Battle,” and we are promoting initiatives that will lead to market recovery. On “KONAMI AMUSEMENT GAME STATION,” our service which allows players to enjoy arcade games on their PC or smartphone whenever they want, *Medal corner*, which we launched in December, 2020, has experienced steady growth, and we released other popular titles, including *ColorCoLotta*. In addition, *Magical Halloween: Trick or Treat!*, the latest model in our *Magical Halloween* series, was the first in the industry to be compliant with new regulations. We received strong orders for the model and it has been released from the second quarter of the fiscal year ending March 31, 2022.

In terms of financial performance, total revenue for the six months ended September 30, 2021 in this segment amounted to ¥9,959 million (a year-on-year increase of 51.2%) and business profit for the six months ended September 30, 2021 amounted to ¥1,694 million (a year-on-year increase of 470.6%).

Gaming & Systems

In the gaming market, as a result of the vaccine rollout in North America, some restrictions, including entrance restriction on casino facilities, were relaxed. In America, economic restrictions were almost completely lifted and the market is revitalizing. Although some countries and areas remain uncertain due to spread of COVID-19, the market is recovering gradually.

Amidst these circumstances, we expanded a slot machine, the *DIMENSION 49™*, featuring a "J" curve display dedicated to participation (revenue share business). In addition, we recognized revenue for the sale of slot machines including our core upright cabinet, the *DIMENSION 27™* and the *DIMENSION 49™*. In game content, *Fortune Mint* continued to maintain high performance in the North American market, resulting in increased sales of slot machines. In addition, we rolled out our video slot game *All Aboard*, which is train-themed game and has been well received in the Australian market, and *Ocean Spin*, which seamlessly flows bubbles into multiple machines. Moreover, the installation of historical horse rating machines based on historical live horse racing outcomes is proceeding. In the casino management system, the strong performance of the previous fiscal year was maintained, and the installments of *SYNKROS®* casino management system to casino facilities continues to progress. During the three months ended September 30, 2021, several installments of *SYNKROS®* contributed to revenue, including installment at Resorts World Las Vegas, a large-scale integrated resort facility which opened in Las Vegas.

In terms of financial performance, total revenue for the six months ended September 30, 2021 in this segment amounted to ¥12,274 million (a year-on-year increase of 71.7%) and business profit for the six months ended September 30, 2021 amounted to ¥1,827 million (business loss for the six months ended September 30, 2020 amounted to ¥1,236 million).

Sports

In the sports market, due to the promotion of staying at home and working from home as a result of COVID-19, the importance of being healthy was reaffirmed for many people. As the societal demand for sports and exercise continues to grow, it will be necessary to provide new health services that allow people to engage in sports and exercise with peace of mind, in line with their new lifestyles.

Amidst these circumstances, with regard to our operation of sports clubs, we began offering “Keep-Your-Body-Warm Fitness” and “Gut Health Fitness” for “Karada Ikiiki Project” as a new proposal for healthy habits in a society dealing with COVID-19, with the aim of improving the original functions of people’s bodies, and maintaining and promoting their health. In addition to promoting the expansion of services for “Konami Sports Online Fitness” which allows people to participate from anywhere, including their homes, we opened “Pilates Mirror Futako Tamagawa,” (Setagaya-ku, Tokyo) women-only Pilates studios for small groups with ceiling-mounted mirrors, as a new kind of enterprise.

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 Toyonaka City, Osaka and Chuo-ku, Tokyo.

While this business has been affected by the spread of COVID-19, we have continued to work on reforming our cost structure by strategic withdrawing from unprofitable locations and other measures, and we closed 16 locations for the six months ended September 30, 2021.

In terms of financial performance, total revenue for the six months ended September 30, 2021 in this segment amounted to ¥19,942 million (a year-on-year increase of 31.9%) and business profit for the six months ended September 30, 2021 amounted to ¥550 million (business loss for the six months ended September 30, 2020 amounted to ¥2,993 million).

3. Risk Factors

For the six-month period ended September 30, 2021, there is no significant change in risk factors which were described on the Annual Report for the year ended March 31, 2021.

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 HOLDINGS 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 HOLDINGS 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 HOLDINGS 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.