

KONAMI HOLDINGS CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Nine Months Ended December 31, 2021

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the nine-month period ended December 31, 2021 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, 2021 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 10, 2022. 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, 2021	As of December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		¥202,430	¥231,337
Trade and other receivables		31,874	29,278
Inventories		10,391	8,770
Income tax receivables		12,470	1,126
Other current assets	10	9,516	11,229
Total current assets		266,681	281,740
Non-current assets			
Property, plant and equipment, net		106,025	108,188
Goodwill and intangible assets		36,813	47,545
Investment property		32,433	32,395
Investments accounted for using the equity method		3,128	2,860
Other investments	10	1,590	1,511
Other financial assets	10	15,491	15,550
Deferred tax assets		25,051	23,631
Other non-current assets		1,794	1,576
Total non-current assets		222,325	233,256
Total assets		489,006	514,996
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,10	5,535	11,817
Other financial liabilities	10	12,570	10,281
Trade and other payables		32,827	32,176
Income tax payables		3,027	8,339
Other current liabilities	5	25,901	18,646
Total current liabilities		79,860	81,259
Non-current liabilities			
Bonds and borrowings	6,10	69,640	59,764
Other financial liabilities	10	26,227	26,598
Provisions		10,694	10,726
Deferred tax liabilities		1,332	1,656
Other non-current liabilities		1,711	1,675
Total non-current liabilities		109,604	100,419
Total liabilities		189,464	181,678
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	3,590
Retained earnings		202,599	233,377
Total equity attributable to owners of the parent		298,727	332,501
Non-controlling interests		815	817
Total equity		299,542	333,318
Total liabilities and equity		¥489,006	¥514,996

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, 2020 and 2021

		Millions of Yen	
	Note	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Revenue			
Product sales revenue		¥43,745	¥63,722
Service and other revenue		148,185	151,326
Total revenue	4,9	191,930	215,048
Cost of revenue			
Cost of product sales revenue		(22,193)	(29,736)
Cost of service and other revenue		(90,415)	(87,490)
Total cost of revenue		(112,608)	(117,226)
Gross profit		79,322	97,822
Selling, general and administrative expenses		(33,519)	(38,165)
Other income and other expenses, net	11	(5,274)	654
Operating profit		40,529	60,311
Finance income		93	391
Finance costs		(1,308)	(631)
Profit (loss) from investments accounted for using the equity method		207	(211)
Profit before income taxes		39,521	59,860
Income taxes		(12,515)	(17,477)
Profit for the period		27,006	42,383
Profit attributable to:			
Owners of the parent		27,003	42,381
Non-controlling interests		¥3	¥2

		Yen	
	Note	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Earnings per share (attributable to owners of the parent)			
Basic	12	¥202.70	¥317.79
Diluted	12	¥199.46	¥312.89

Three months ended December 31, 2020 and 2021

				Millions of Yen	
	Note	Three months ended December 31, 2020	Three months ended December 31, 2021		
Revenue					
Product sales revenue		¥16,737	¥24,160		
Service and other revenue		59,121	51,402		
Total revenue	4	75,858	75,562		
Cost of revenue					
Cost of product sales revenue		(8,228)	(11,265)		
Cost of service and other revenue		(35,708)	(30,234)		
Total cost of revenue		(43,936)	(41,499)		
Gross profit		31,922	34,063		
Selling, general and administrative expenses		(11,846)	(13,045)		
Other income and other expenses, net		(915)	183		
Operating profit		19,161	21,201		
Finance income		28	242		
Finance costs		(487)	(208)		
Profit (loss) from investments accounted for using the equity method		604	(48)		
Profit before income taxes		19,306	21,187		
Income taxes		(6,088)	(6,363)		
Profit for the period		13,218	14,824		
Profit attributable to:					
Owners of the parent		13,212	14,823		
Non-controlling interests		¥6	¥1		

				Yen	
	Note	Three months ended December 31, 2020	Three months ended December 31, 2021		
Earnings per share (attributable to owners of the parent)					
Basic	12	¥99.18	¥110.96		
Diluted	12	¥97.56	¥109.42		

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

Quarterly Condensed Consolidated Statement of Comprehensive Income
Nine months ended December 31, 2020 and 2021

		Millions of Yen	
	Note	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit for the period		¥27,006	¥42,383
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		14	(56)
Total items that will not be reclassified to profit or loss		14	(56)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(726)	1,473
Total items that may be reclassified to profit or loss		(726)	1,473
Total other comprehensive income		(712)	1,417
Total comprehensive income for the period		26,294	43,800
Comprehensive income attributable to:			
Owners of the parent		26,291	43,798
Non-controlling interests		¥3	¥2

Three months ended December 31, 2020 and 2021

		Millions of Yen	
	Note	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit for the period		¥13,218	¥14,824
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		(4)	(47)
Total items that will not be reclassified to profit or loss		(4)	(47)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(370)	1,286
Total items that may be reclassified to profit or loss		(370)	1,286
Total other comprehensive income		(374)	1,239
Total comprehensive income for the period		12,844	16,063
Comprehensive income attributable to:			
Owners of the parent		12,838	16,062
Non-controlling interests		¥6	¥1

(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						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

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						42,381	42,381	2	42,383
Other comprehensive income					1,417		1,417		1,417
Total comprehensive income for the period		-	-	-	1,417	42,381	43,798	2	43,800
Purchase of treasury shares				(6)			(6)		(6)
Disposal of treasury shares			1	0			1		1
Dividends	8					(11,603)	(11,603)		(11,603)
Conversion of convertible bond-type bonds with subscription rights to shares			601	983			1,584		1,584
Total transactions with the owners		-	602	977	-	(11,603)	(10,024)	-	(10,024)
Balance at December 31, 2021		¥47,399	¥75,001	¥(26,866)	¥3,590	¥233,377	¥332,501	¥817	¥333,318

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, 2020	Nine months ended December 31, 2021
Operating activities			
Profit for the period		¥27,006	¥42,383
Depreciation and amortization		14,607	12,642
Impairment losses		907	244
Interest and dividends income		(59)	(53)
Interest expense		677	612
Loss on sale or disposal of property, plant and equipment		249	16
(Profit) loss from investments accounted for using the equity method		(207)	211
Income taxes		12,515	17,477
(Increase) decrease in trade and other receivables		(5,067)	3,062
(Increase) decrease in inventories		(2,272)	1,811
Increase (decrease) in trade and other payables		1,930	(3,085)
Increase in prepaid expense		(1,628)	(2,552)
Increase (decrease) in contract liabilities		8,344	(5,738)
Other, net		1,508	(1,362)
Interest and dividends received		73	54
Interest paid		(527)	(490)
Income taxes (paid) refund		(11,026)	993
Net cash provided by operating activities		47,030	66,225
Investing activities			
Capital expenditures		(16,814)	(16,900)
Payments for lease deposits		(222)	(572)
Proceeds from refunds of lease deposits		5,242	1,809
Payments for asset retirement obligations		(3,274)	(1,458)
Payments into time deposits		-	(574)
Proceeds from withdrawal of time deposits		586	971
Other, net		1	104
Net cash used in investing activities		(14,481)	(16,620)
Financing activities			
Proceeds from short-term (more than 3 months) borrowings		7,449	5,496
Repayments of short-term (more than 3 months) borrowings		(30,301)	(7,776)
Proceeds from issuance of bonds	6	60,000	-
Principal payments of lease liabilities		(8,225)	(7,687)
Dividends paid	8	(3,924)	(11,587)
Other, net		(302)	(5)
Net cash provided by (used in) financing activities		24,697	(21,559)
Effect of exchange rate changes on cash and cash equivalents		(241)	861
Net increase in cash and cash equivalents		57,005	28,907
Cash and cash equivalents at the beginning of the period		131,432	202,430
Cash and cash equivalents at the end of the period		¥188,437	¥231,337

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 nine months ended December 31, 2021.

(1) Operating segment information

For the nine months ended December 31, 2020

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥144,136	¥10,345	¥11,754	¥25,695	¥191,930	-	¥191,930
Intersegment	497	921	-	230	1,648	¥(1,648)	-
Total	144,633	11,266	11,754	25,925	193,578	(1,648)	191,930
Business profit	¥52,120	¥1,196	¥(1,486)	¥(4,027)	¥47,803	¥(2,000)	45,803
Other income and other expenses, net	-	-	-	-	-	-	(5,274)
Operating profit	-	-	-	-	-	-	40,529
Finance income and finance costs, net	-	-	-	-	-	-	(1,215)
Profit from investments accounted for using the equity method	-	-	-	-	-	-	207
Profit before income taxes	-	-	-	-	-	-	¥39,521

For the nine months ended December 31, 2021

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥153,460	¥12,446	¥18,680	¥30,462	¥215,048	-	¥215,048
Intersegment	499	1,263	-	230	1,992	¥(1,992)	-
Total	153,959	13,709	18,680	30,692	217,040	(1,992)	215,048
Business profit	¥55,534	¥2,314	¥2,524	¥1,151	¥61,523	¥(1,866)	59,657
Other income and other expenses, net	-	-	-	-	-	-	654
Operating profit	-	-	-	-	-	-	60,311
Finance income and finance costs, net	-	-	-	-	-	-	(240)
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(211)
Profit before income taxes	-	-	-	-	-	-	¥59,860

For the three months ended December 31, 2020

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥56,189	¥4,338	¥4,604	¥10,727	¥75,858	-	¥75,858
Intersegment	172	341	-	76	589	¥(589)	-
Total	56,361	4,679	4,604	10,803	76,447	(589)	75,858
Business profit	¥21,072	¥899	¥(250)	¥(1,034)	¥20,687	¥(611)	20,076
Other income and other expenses, net	-	-	-	-	-	-	(915)
Operating profit	-	-	-	-	-	-	19,161
Finance income and finance costs, net	-	-	-	-	-	-	(459)
Profit from investments accounted for using the equity method	-	-	-	-	-	-	604
Profit before income taxes	-	-	-	-	-	-	¥19,306

For the three months ended December 31, 2021

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥55,161	¥3,321	¥6,406	¥10,674	¥75,562	-	¥75,562
Intersegment	166	429	-	76	671	¥(671)	-
Total	55,327	3,750	6,406	10,750	76,233	(671)	75,562
Business profit	¥19,686	¥620	¥697	¥601	¥21,604	¥(586)	21,018
Other income and other expenses, net	-	-	-	-	-	-	183
Operating profit	-	-	-	-	-	-	21,201
Finance income and finance costs, net	-	-	-	-	-	-	34
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(48)
Profit before income taxes	-	-	-	-	-	-	¥21,187

(2) Geographic information

Revenue from external customers for the nine months ended December 31, 2020 and 2021

	Millions of Yen	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Revenue:		
Japan	¥153,931	¥166,141
United States	21,333	30,818
Europe	10,566	9,827
Asia/Oceania	6,100	8,262
Consolidated	¥191,930	¥215,048

Revenue from external customers for the three months ended December 31, 2020 and 2021

	Millions of Yen	
	Three months ended December 31, 2020	Three months ended December 31, 2021
Revenue:		
Japan	¥60,455	¥56,921
United States	8,420	12,615
Europe	4,028	3,362
Asia/Oceania	2,955	2,664
Consolidated	¥75,858	¥75,562

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 December 31, 2021.

	Millions of Yen	
	As of March 31, 2021	As of December 31, 2021
Contract liabilities	¥14,128	¥8,402
Others	11,773	10,244
Total	¥25,901	¥18,646

6. 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 neither conversion nor redemption of bonds.

For the nine months ended December 31, 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	
	Nine months ended December 31, 2020	Nine months ended December 31, 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	(726)	1,473
Transfer to retained earnings	-	-
Balance at the end of the period	¥(888)	¥3,550
<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	14	(56)
Transfer to retained earnings	-	-
Balance at the end of the period	¥87	¥40

8. Dividends

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.

The Company paid dividends 87.00 yen per share and the total amount of ¥11,603 million for the nine months ended December 31, 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 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

For the nine months ended December 31, 2021

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥123,433	¥15,162	¥9,827	¥5,038	¥153,460
Amusement	12,246	-	-	200	12,446
Gaming & Systems	-	15,656	-	3,024	18,680
Sports	30,462	-	-	-	30,462
Total revenue	¥166,141	¥30,818	¥9,827	¥8,262	¥215,048

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 December 31, 2021.

Millions of Yen

	As of March 31, 2021		As of December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥203	¥227	¥95	¥118
Lease deposit	18,046	18,654	17,901	18,967
Other financial assets	1,266	1,256	1,132	1,110
Equity financial assets measured at fair value through other comprehensive income				
Securities	1,498	1,498	1,419	1,419
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	¥71,581	¥69,822
Other financial liabilities	3,035	3,035	3,048	3,048

(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 December 31, 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 December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Securities	¥446	-	¥973	¥1,419
Other investments	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥446	-	¥1,065	¥1,511

Securities and other investments, which are classified as Level 3, have no significant changes for the nine months ended December 31, 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 nine months ended December 31, 2020 and 2021 is as follows:

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit attributable to owners of the parent	27,003 million yen	42,381 million yen
Adjustments for profit used in the calculation of diluted earnings per share	27 million yen	25 million yen
Profit used in the calculation of diluted earnings per share	27,030 million yen	42,406 million yen
Basic weighted average ordinary shares outstanding	133,214,348 shares	133,360,057 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,299,114 shares	2,169,249 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,513,462 shares	135,529,306 shares
Earnings per share attributable to owners of the parent for the period		
Basic	202.70 yen	317.79 yen
Diluted	199.46 yen	312.89 yen

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended December 31, 2020 and 2021 is as follows:

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit attributable to owners of the parent	13,212 million yen	14,823 million yen
Adjustments for profit used in the calculation of diluted earnings per share	9 million yen	7 million yen
Profit used in the calculation of diluted earnings per share	13,221 million yen	14,830 million yen
Basic weighted average ordinary shares outstanding	133,214,175 shares	133,580,750 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,299,114 shares	1,948,247 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,513,289 shares	135,528,997 shares
Earnings per share attributable to owners of the parent for the period		
Basic	99.18 yen	110.96 yen
Diluted	97.56 yen	109.42 yen

13. Subsequent Events

There have been no events after December 31, 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 February 8, 2022.