Annual Financial Report

KONAMI GROUP CORPORATION and its subsidiaries

Consolidated Financial Statements
For the fiscal year ended March 31, 2022

KONAMI GROUP CORPORATION

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On July 1, 2022, KONAMI GROUP CORPORATION changed its trade name from KONAMI HOLDINGS CORPORATION to KONAMI GROUP CORPORATION. As used in this annual report, references to "the Company" and "the parent" are to KONAMI GROUP CORPORATION and references to "Konami Group," "the Group," "we," "our" and "us" are to KONAMI GROUP CORPORATION and its subsidiaries, unless the context otherwise requires.

"U.S. dollar" or "$" means the lawful currency of the United States of America, "€" or "Euro" means the lawful currency of the member states of the European Union and "yen" or "¥" means the lawful currency of Japan.

"IFRS" means International Financial Reporting Standards and "Japanese GAAP" means accounting principles generally accepted in Japan.

1. Consolidated Financial Statements

Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2021	As of March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	5,23	¥202,430	¥250,711
Trade and other receivables	6,23,24	31,874	29,054
Inventories	7	10,391	8,957
Income tax receivables		12,470	1,443
Other current assets	14,23	9,516	9,461
Total current assets		266,681	299,626
Non-current assets			
Property, plant and equipment, net	8,10	106,025	138,869
Goodwill and intangible assets	9	36,813	45,392
Investment property	11	32,433	-
Investments accounted for using the equity method	12	3,128	3,159
Other investments	13,23	1,590	1,231
Other financial assets	14,23	15,491	15,302
Deferred tax assets	19	25,051	23,671
Other non-current assets		1,794	1,363
Total non-current assets		222,325	228,987
Total assets		¥489,006	¥528,613

	Note	As of March 31, 2021	As of March 31, 2022
			Millions of Yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	15,23,30	¥5,535	¥8,377
Other financial liabilities	10,18,23,30	12,570	9,106
Trade and other payables	16,23	32,827	33,486
Income tax payables		3,027	12,418
Other current liabilities	17,24	25,901	19,200
Total current liabilities		79,860	82,587
Non-current liabilities			
Bonds and borrowings	15,23,30	69,640	59,775
Other financial liabilities	10,18,23,30	26,227	25,263
Provisions	17	10,694	10,450
Deferred tax liabilities	19	1,332	770
Other non-current liabilities	20,24	1,711	1,692
Total non-current liabilities		109,604	97,950
Total liabilities		189,464	180,537
Equity			
Share capital	21	47,399	47,399
Share premium	21	74,399	75,027
Treasury shares	21	(27,843)	(26,868)
Other components of equity	28	2,173	6,701
Retained earnings	21	202,599	245,802
Total equity attributable to owners of the parent		298,727	348,061
Non-controlling interests		815	15
Total equity		299,542	348,076
Total liabilities and equity		¥489,006	¥528,613

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

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

Consolidated Statement of Profit or Loss

Millions of Yen

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue			
Product sales revenue		¥61,177	¥85,901
Service and other revenue		211,479	213,621
Total revenue	4,24	272,656	299,522
Cost of revenue			
Cost of product sales revenue		(31,237)	(40,673)
Cost of service and other revenue		(127,978)	(124,010)
Total cost of revenue	25	(159,215)	(164,683)
Gross profit		113,441	134,839
Selling, general and administrative expenses	25	(49,277)	(54,524)
Other income and other expenses, net	26	(27,614)	(5,880)
Operating profit		36,550	74,435
Finance income	27	78	1,472
Finance costs	27	(1,104)	(831)
Profit from investments accounted for using the equity method		57	87
Profit before income taxes		35,581	75,163
Income taxes	19	(3,307)	(20,351)
Profit for the year		32,274	54,812
Profit attributable to:			
Owners of the parent		32,261	54,806
Non-controlling interests		¥13	¥6

Yen

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Earnings per share (attributable to owners of the parent)			
Basic	29	¥242.17	¥410.80
Diluted	29	¥238.33	¥404.62

Consolidated Statement of Comprehensive Income

Millions of Yen

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit for the year		¥32,274	¥54,812
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	28	23	(334)
Total items that will not be reclassified to profit or loss		23	(334)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations	28	2,239	4,862
Total items that may be reclassified to profit or loss		2,239	4,862
Total other comprehensive income		2,262	4,528
Total comprehensive income for the year		34,536	59,340
Comprehensive income attributable to:			
Owners of the parent		34,523	59,334
Non-controlling interests		¥13	¥6

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

(3) 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 year						32,261	32,261	13	32,274
Other comprehensive income					2,262		2,262		2,262
Total comprehensive income for the year		-	-	-	2,262	32,261	34,523	13	34,536
Purchase of treasury shares	21			(7)			(7)		(7)
Disposal of treasury shares	21		0	0			0		0
Dividends	22					(3,930)	(3,930)		(3,930)
Total transactions with the owners		-	0	(7)	-	(3,930)	(3,937)	-	(3,937)
Balance at March 31, 2021		47,399	74,399	(27,843)	2,173	202,599	298,727	815	299,542
Profit for the year						54,806	54,806	6	54,812
Other comprehensive income					4,528		4,528		4,528
Total comprehensive income for the year		-	-	-	4,528	54,806	59,334	6	59,340
Purchase of treasury shares	21			(8)			(8)		(8)
Disposal of treasury shares	21		1	0			1		1
Dividends	22					(11,603)	(11,603)		(11,603)
Conversion of convertible bond-type bonds with subscription rights to shares			601	983			1,584		1,584
Changes in ownership interests in subsidiaries			26				26	(806)	(780)
Total transactions with the owners		-	628	975	-	(11,603)	(10,000)	(806)	(10,806)
Balance at March 31, 2022		¥47,399	¥75,027	¥(26,868)	¥6,701	¥245,802	¥348,061	¥15	¥348,076

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

(4) Consolidated Statement of Cash Flows

Millions of Yen

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating activities			
Profit for the year		¥32,274	¥54,812
Depreciation and amortization		19,172	17,933
Impairment losses		22,232	6,717
Interest and dividends income		(76)	(64)
Interest expense		899	804
Loss on sale or disposal of property, plant and equipment		415	686
Profit from investments accounted for using the equity method		(57)	(87)
Income taxes		3,307	20,351
(Increase) decrease in trade and other receivables		(1,352)	4,532
Decrease in inventories		62	2,087
Increase (decrease) in trade and other payables		3,686	(3,870)
Increase in prepaid expense		(560)	(1,778)
Increase (decrease) in contract liabilities		3,506	(2,927)
Other, net		3,689	(3,010)
Interest and dividends received		90	65
Interest paid		(773)	(723)
Income taxes (paid) refund		(16,744)	1,014
Net cash provided by operating activities		69,770	96,542
Investing activities			
Capital expenditures		(23,561)	(23,128)
Payments for lease deposits		(827)	(590)
Proceeds from refunds of lease deposits		5,538	2,036
Payments for asset retirement obligations		(3,377)	(1,812)
Payments into time deposits		(423)	(574)
Proceeds from withdrawal of time deposits		586	971
Other, net		(348)	104
Net cash used in investing activities		(22,412)	(22,993)
Financing activities			
Proceeds from short-term (more than 3 months) borrowings	30	10,561	5,496
Repayments of short-term (more than 3 months) borrowings	30	(33,413)	(11,239)
Proceeds from the issuance of bonds	15,30	60,000	-
Principal payments of lease liabilities	30	(10,485)	(9,789)
Dividends paid	22	(3,929)	(11,593)
Other, net		(308)	(788)
Net cash provided by (used in) financing activities		22,426	(27,913)
Effect of exchange rate changes on cash and cash equivalents		1,214	2,645
Net increase in cash and cash equivalents		70,998	48,281
Cash and cash equivalents at the beginning of the year	5	131,432	202,430
Cash and cash equivalents at the end of the year	5	¥202,430	¥250,711

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

Notes to Consolidated Financial Statements

1. Reporting Entity

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

The accompanying 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 Company prepares Consolidated Financial Statements in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. The Company meets the requirements set out under Article 1-2 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” under which the Company is qualified as a “specified company” and duly applied the provisions of Article 93 of the foregoing rules.

(2) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial assets and liabilities measured at their fair values, as stated in Note 3 "Significant Accounting Policies."

(3) Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The Consolidated Financial Statements are presented in Japanese yen, which is the Company’s functional currency. All financial information presented in Japanese yen is rounded to the nearest million yen.

(4) Use of estimates and judgments

In preparing IFRS-compliant 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 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 Consolidated Financial Statements is included in the following notes:

- Revenue recognition: Note 3 "Significant Accounting Policies- (15) Revenue" and Note 24 "Revenue."
- Recognition of deferred tax assets: Note 19 "Deferred Taxes and Income Tax Expense."
- Impairment losses for property, plant and equipment, goodwill and intangible assets: Note 3 "Significant Accounting Policies- (10) Impairment (ii) Non-financial assets," Note 8 "Property, Plant and Equipment, net" and Note 9 "Goodwill and Intangible Assets."

In regard to estimating the recoverable amounts for impairment loss of property, plant and equipment and intangible assets, considering the facts and circumstances for the fiscal year ended March 31, 2022, we estimate the recoverable amounts based on our conservative expectations of the impact of the COVID-19 pandemic on our operations. However, the estimation could be revised, depending on the evolving situation of the pandemic.

(5) Changes in presentation

(Consolidated Statement of Cash Flows)

Although "purchase of treasury shares" had been separately presented in Financing activities of the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2021, it is included in "other, net" for the fiscal year ended March 31, 2022 due to a decrease in the financial significance of the balance. To reflect this change in presentation in the Consolidated Statement of Cash Flows, the comparative balance of the fiscal year ended March 31, 2021 has been reclassified.

Thus, ¥(7) million presented in "purchase in of treasury shares" in Financing activities of the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2021 has been reclassified as "other, net."

(6) Early adoption of new accounting standards

There were no new accounting standards applied earlier than required.

(7) New accounting standards and interpretations issued but not yet adopted

There were no significant new or revised accounting standards and interpretations that were issued by the date of approval of the Consolidated Financial Statements but have not yet been adopted by the Company as of March 31, 2022.

3. Significant Accounting Policies

(1) Basis of consolidation

(1) Subsidiaries

"Subsidiaries" are entities that are controlled by Konami Group. Konami Group controls entities where it is exposed, or has rights, to variable returns from its involvement with those entities and has the ability to affect the amount of returns through its power over those entities.

A subsidiary's financial statements are incorporated into the Company's Consolidated Financial Statements from the date when the Company obtains control of the subsidiary until the date when the Company loses control of the subsidiary. Appropriate adjustments are made to the subsidiary's accounting policies as necessary to ensure the conformity with Konami Group's accounting policies.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the amount of the fair value of the consideration paid or received is recognized directly in equity as equity attributable to owners of the parent. If the Company loses control of a subsidiary, the Company recognizes the gain or loss associated with the loss of control in profit or loss.

All inter-group balances and transactions as well as unrealized gains or losses arising from intergroup transactions are eliminated.

(2) Associates

Associates are entities over which the Company does not have control or joint control but has significant influence over the financial and operating or business policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but which does not amount to control or joint control over those policies.

Investments in associates are accounted for using the equity method and initially recognized at acquisition cost as of the date of acquisition. These investments include goodwill recognized at the date of acquisition.

The Company's Consolidated Financial Statements include the Company's share of income, expense and other comprehensive income of the associate accounted for under the equity method from the date when the Company obtains significant influence over the associate until the date when such significant influence is lost. Appropriate adjustments are made to the associate's accounting policies as necessary to ensure conformity with the Company's accounting policies.

Unrealized gains arising from transactions with an entity accounted for under the equity method are deducted from to value of the investment in proportion to the Company's interest in the investee.

(2) Business combinations

A business combination is accounted for using the acquisition method.

Goodwill is measured as the excess of the total amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and, if a business combination is achieved in stages, the amount of the fair value at the date of acquisition of the Company's previously held equity interest in the acquiree over the net amounts recognized in respect of the identifiable acquired assets and assumed liabilities (which are primarily measured at fair value). If the amount determined by this calculation is negative (consideration is less than net assets acquired – i.e. a bargain purchase) the associated difference is recognized immediately as a credit to profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the fair value or at the proportionate share of the non-controlling interests in the recognized amounts of the acquiree's identifiable net assets on an acquisition-by-acquisition basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which may not exceed one year from the acquisition date, the Company retrospectively adjusts provisional amounts recognized as at the acquisition date.

Acquisition-related costs are recognized as expenses in the period in which they are incurred.

A business combination of entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such transactions are accounted for based on the carrying amounts.

(3) Foreign currency transactions

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of each of Konami Group companies using the appropriate exchange rate at the date of the transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated into the functional currencies using the prevailing exchange rates at that date. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the functional currencies using the exchange rates at the date the fair value was determined.

Exchange differences arising from the re-measurement and the settlement of such items are recognized in profit or loss in the period in which they arise. However, exchange differences arising from the financial assets measured through other comprehensive income are recognized in other comprehensive income.

(2) Foreign operations

Assets and liabilities of foreign operations, including goodwill arising from acquisitions and fair value adjustments, are translated into Japanese yen using the exchange rate at the reporting date. Income and expenses are translated into Japanese yen using the average exchange rate for the period, unless exchange rates fluctuate significantly.

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income, and included in "other components of equity" as exchange differences on translating foreign operations.

On the disposal of the entire or a partial interest in a foreign operation involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences relating to that foreign operation is reclassified to profit or loss, as a part of gain or loss on disposal.

(4) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call with banks, and other short-term highly liquid investments with maturities of three months or less from the date they are acquired, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(5) Inventories

Inventories consist of merchandise for resale, finished products, work-in-process, raw materials and supplies.

Inventories are measured at the lower of cost or net realizable value; the company uses the weighted average method to determine the cost of inventories.

Net realizable value is the estimated selling price of inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Property, plant and equipment, net

(1) Recognition and measurement

Property, plant and equipment are recognized at cost less any accumulated depreciation and any accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the assets, the initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs eligible for capitalization. If components of an item of property, plant and equipment have different useful lives, each component is recognized as a separate item of property, plant and equipment.

(2) Subsequent expenditures

Subsequent expenditures on property, plant and equipment for the ordinary repairs and maintenance are recognized as expenses when incurred. Expenditures on major replacements or improvements are capitalized only if it is probable that future economic benefits associated with such expenditures will flow to Konami Group.

(3) Depreciation

Depreciation of property, plant and equipment is calculated based on the depreciable amount. Depreciable amount is calculated as the cost of an asset less its residual value.

Depreciation of an asset is principally computed under the straight-line method, spread over the estimated useful life of each component of the asset. The straight-line method is adopted because the method is considered to best approximate the expected pattern of consumption of the future economic benefits generated by the asset.

Right-of-use assets are depreciated over the shorter of the lease term or its estimated useful life, unless there is reasonable certainty that ownership will transfer to the Konami Group at the end of the lease term.

The estimated useful lives range from 10 to 50 years for buildings and structures and from 2 to 20 years for tools, furniture and fixtures.

The depreciation method, estimated useful life and residual value are reviewed at each financial year end, and amended as necessary.

(7) Goodwill and intangible assets

(1) Goodwill

(i) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in "goodwill and intangible assets" in the accompanying Consolidated Statement of Financial Position. Measurement of goodwill at the time of initial recognition is described in “(2) Business combinations” as above.

(ii) Measurement after initial recognition

Goodwill is measured at its cost less any accumulated impairment losses. Goodwill is not amortized but is tested for impairment annually at a consistent time in the year, and whenever indicators of impairment exist.

(2) Intangible assets acquired in business combinations

Intangible assets, such as trademarks, and patents, acquired in business combinations and recognized separately from goodwill are initially recognized at fair value as at the acquisition date.

Subsequently, such intangible assets are measured at their cost less any accumulated amortization and any accumulated impairment losses.

(3) Internally generated intangible assets arising from development

Expenditures on research activities to obtain new scientific or technical knowledge and understanding are recognized as an expense as incurred. Expenditures related to development activities are capitalized only if it is technically feasible to complete the assets, it is probable that future economic benefits will be generated, expenditures are reliably measurable, and the Company has the intention, ability and adequate resources to use or sell them after completion.

The costs of internally generated intangible assets arising from the development are initially recognized at the sum of expenditures incurred from the date when they first meet all of the aforementioned criteria until the day the asset is available for use. Subsequent to the initial recognition, internally generated intangible assets arising from development are measured at their costs less any accumulated amortization and any impairment losses.

(4) Other intangible assets

Other intangible assets with finite useful lives are measured at their costs less any accumulated amortization and any accumulated impairment losses.

(5) Amortization

Amortization charge is calculated based on the acquisition cost of an asset less its residual value.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives using the straight-line method. They are tested for impairment when there are indicators that they may be impaired. The straight-line method is adopted because this method best reflects the expected pattern of consumption of the future economic benefits generated by the asset.

The estimated useful lives of the main intangible assets with finite useful lives are as follows:

• Internally generated intangible assets arising from development	Less than 5 years
• Patents	3 to 20 years

The amortization method, the estimated useful life and the residual value are reviewed at each financial year end, and amended as necessary.

Intangible assets with indefinite useful lives, including trademarks, or intangible assets that are not yet available for use are not amortized. They are tested for impairment annually at a consistent time in the year, and whenever indicators of impairment exist.

(8) Leases

(Lessee)

At inception of a contract, Konami Group assesses whether the contract is, or contains, a lease, based on the substance of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a lease, the right-of-use asset is measured at cost which comprises the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs. The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is measured at the discounted present value of the lease payments that are not paid at that date. Based on the effective interest method, the lease liability is allocated between the finance cost and the lease liability to be repaid.

Konami Group recognizes the lease payments associated with short-term leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.

(Lessor)

Konami Group has classified leases as operating leases if they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets. In operating leases, the leases' underlying assets are carried on the Consolidated Statement of Financial Position and lease payments are recognized as income on a straight-line basis over the lease term.

(9) Investment Property

Investment property is presented at cost less any accumulated depreciation and any accumulated impairment losses.

After initial recognition, investment property is measured by the cost model using estimated useful life and depreciation method on the same basis as property, plant and equipment.

(10) Impairment

(1) Impairment of non-derivative financial assets

Investment in entities accounted for using the equity method

Goodwill arising from an acquisition of interest in associates is included in the carrying amount of the investment, and the entire carrying amount of the investments accounted for using the equity method is tested for impairment. Konami Group assesses whether there is any objective evidence of indicators that an investment in an associate may be impaired at the end of each reporting period. If there is objective evidence that the investment is impaired, the investment is tested for impairment by comparing its recoverable amount (higher of value in use or fair value less costs of disposal) of the investment with its carrying amount. Previously recognized impairment losses are reversed only if there is a change in the estimates used to determine the recoverable amount of the investment after the impairment losses were recorded. In such a case, the reversal of the impairment loss is recognized to the extent that the recoverable amount of the net investment subsequently increases.

(2) Impairment of non-financial assets

The carrying amounts of Konami Group's non-financial assets, excluding inventories and deferred tax assets, are reviewed to determine whether indicators of impairment exist at the end of each reporting period. If indicators of impairment exist, the asset is tested for impairment based on its recoverable amount. Goodwill, intangible assets with indefinite useful lives or intangible assets that are not yet available for use are tested for impairment based on the recoverable amount annually at a consistent time in the year, and whenever indicators of impairment exist.

The recoverable amount of an asset or cash-generating unit ("CGU") is the higher of value in use or fair value less costs of disposal. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset which are not considered in estimating the future cash flows.

If it is not possible to estimate the recoverable amount of each asset individually for the impairment test, such assets are allocated into the smallest CGU that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination, and these CGUs represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and are not larger than an operating segment. Since corporate assets do not generate separate cash inflows, if there are indicators that corporate assets may be impaired, the corporate assets are tested for impairment based on the recoverable amount of the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds the recoverable amount, an impairment loss is recognized in profit or loss for the period. Impairment losses recognized in relation to a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets of the CGU on a pro rata basis.

An impairment loss related to goodwill cannot be reversed in a subsequent period. Previously recognized impairment losses on other assets are assessed at the end of each reporting period as to whether there are indicators that the losses may no longer exist or may have decreased. Such impairment losses are reversed if there have been indicators of the reversal of the impairment and a change in estimates used to determine the recoverable amount of the asset. The carrying amount of the asset after the reversal cannot exceed the carrying amount less depreciation or amortization, which would have been recorded had no impairment loss been recognized for the asset in prior years.

(11) Employee benefits

The Company and certain subsidiaries offer the opportunity to participate in defined contribution plans to employees. Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. The contributions under the defined contribution plans are recognized as expenses during the period in which an employee rendered services.

For short-term employee benefits including salaries, bonuses and paid annual leave, the amounts expected to be paid in exchange for those services are recognized as expenses in the period when the employees render related services.

(12) Provisions

Provisions are recognized when Konami Group has a present legal or constructive obligation arising from past events where it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations.

Where the effect of the time value of money is material, a provision is calculated as the present value of the expenditures discounted at a rate that reflects the risks specific to the liability.

Asset retirement obligations are recognized as provisions for the costs of dismantling and removing the assets and restoring the site, and they are included in the acquisition costs of the assets. The estimated future costs and the discount rates applied are annually reviewed and accounted for as a change in accounting estimates, if an adjustment is determined to be necessary.

(13) Financial instruments

(1) Financial assets

(i) Initial recognition and measurement

Konami Group initially recognizes financial assets when it becomes a party to the contract, and classifies them into the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

At initial recognition, all financial assets are measured at fair value. However, in the case of a financial asset that is not classified as a financial asset measured at fair value through profit or loss, it is measured at the fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(a) Financial assets measured at amortized cost

Of the financial assets held by Konami Group, those that meet both of the following conditions are classified as financial assets measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows.

(b) Financial assets measured at fair value through other comprehensive income

Equity instruments such as shares held mainly for the purpose of maintaining or strengthening business relationships with investees are designated at initial recognition as financial assets measured at fair value through other comprehensive income. Subsequent to initial recognition, the financial assets are measured at fair value and changes in the fair value are recognized in other comprehensive income. Debt instruments, which are held to achieve an objective by both collecting contractual cash flows and selling and those contractual cash flows represent solely payments of principal and interest, are designated as financial assets measured at fair value through other comprehensive income.

(c) Financial assets measured at fair value through profit or loss

Financial assets other than (a) and (b) as above are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement after initial recognition

Based on the classifications, subsequent measurement of financial assets after initial recognition are as follows.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method subsequent to the initial recognition.

(b) Financial assets measured at fair value through other comprehensive income

As for financial assets measured at fair value through other comprehensive income, changes in the fair value are recognized in other comprehensive income subsequent to the initial recognition. In the event of derecognition of equity instruments, the cumulative amount of gains or losses recognized through other comprehensive income is directly transferred from other component of equity to retained earnings. Dividends from the relevant financial asset are recognized in profit or loss for the reporting period. In the event of derecognition of debt instruments, the cumulative amount of gains or losses recognized through other comprehensive income is transferred to profit or loss.

(c) *Financial assets measured at fair value through profit or loss*

As for financial assets measured at fair value through profit or loss, changes in the fair value are recognized in profit or loss subsequent to the initial recognition. Dividends from the relevant financial asset are recognized in profit or loss for the reporting period.

(iii) Impairment of financial assets

For financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, Konami Group records allowance for expected credit losses. Konami Group evaluates at the end of each reporting period whether there is a significant increase in credit risk of financial assets since initial recognition. When there is a significant increase in credit risk since initial recognition, the amount equal to expected credit losses for the remaining life of the financial assets are measured as allowance for expected credit losses. When there is no significant increase in the credit risk since initial recognition, the amount equal to expected credit losses for 12 months are measured as allowance for expected credit losses. For trade and other receivables, allowance for expected credit losses are always measured at the amount equal to expected credit losses for the remaining life of the assets.

Expected credit losses are measured based on the present value of the difference between all contractual cash flows to be paid to Konami Group and all cash flows expected to be received by Konami Group, and are recognized in profit or loss. If the amount of impairment losses decreased due to any event that occurred after the initial recognition of the impairment losses, the previously recognized impairment losses are reversed and recognized in profit or loss.

If there is any objective evidence of credit impairment for financial assets such as significant financial difficulty of a debtor, and a contract violation, including a default or delinquency in payment, interest income is measured at the amount calculated by multiplying the carrying amount less the loss allowance by the effective interest rate. If the recovery of all or part of the contractual cash flows of a certain financial asset cannot be reasonably estimated, the carrying amount is directly reduced in the total amount of financial assets.

(iv) Derecognition of financial assets

Konami Group derecognizes a financial asset only if the contractual rights to the cash flows from the financial asset expire or if it transfers the contractual rights to receive the cash flows of the financial asset in a transaction where it transfers substantially all risks and rewards of ownership of the financial asset. If Konami Group continues to control the transferred assets, it recognizes retained interests in the financial assets and liabilities that might be payable in association therewith, to the extent of its continuing involvement in the financial assets.

(2) Financial liabilities

(i) Initial recognition and measurement

Konami Group initially classifies financial liabilities into either a financial liability measured at amortized cost or a financial liability measured at fair value through profit or loss. This classification is determined at initial recognition of the financial liabilities.

While financial liabilities measured at fair value through profit or loss are measured at fair value at initial recognition, financial liabilities measured at amortized cost are measured at the amount less directly attributable transaction costs.

(ii) Subsequent measurement after initial recognition

Based on the classifications, subsequent measurement of financial liabilities after initial recognition are as follows.

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method subsequent to the initial recognition.

Amortization by the effective interest method, as well as gains and losses associated with the derecognition shall be measured in profit or loss for the reporting period.

(b) Financial liabilities measured at fair value through profit or loss

As for financial liabilities measured at fair value through profit or loss, changes in the fair value are recognized in profit or loss for the reporting period subsequent to the initial recognition.

(iii) Derecognition of financial liabilities

Konami Group derecognizes financial liabilities when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires.

(3) Offsetting financial assets and liabilities

Financial assets and liabilities are offset, with the net amount presented in the Consolidated Statement of Financial Position, only if Konami Group holds a legal right to set off the balance, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(4) Compound financial instruments

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any attributable transaction costs are allocated to the equity and liability components of the compound financial instrument in proportion to their initial carrying values.

Subsequently, the liability component of the compound financial instrument is measured at amortized cost using the effective interest method; the equity component is not remeasured.

Interest related to the financial liability is recognized as financial expense in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(5) Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date when the derivative contracts are entered into, and are subsequently remeasured to their fair value at the end of each reporting period.

Konami Group uses derivatives such as forward exchange contracts to determine cash flows related to recognized financial asset and liabilities and the future transactions. Interest rate swaps have also agreed with as hedging instruments against foreign exchange risk and interest rate risk.

Hedge accounting is not applied to the above derivatives.

(14) Equity

(1) Ordinary shares

Issuance costs directly relating to equity instruments issued by Konami Group are recognized, net of tax, as a deduction from equity.

(2) Treasury shares

When the Company repurchases treasury shares, the consideration paid, including transaction costs, net of tax, directly arising from the repurchase, is recognized as a deduction from equity. No gain or loss is recognized in profit or loss on the purchase, disposal, issuance or cancellation of Konami Group's own equity instruments. Any difference between the carrying amount and the consideration given is recognized in share premium.

(15) Revenue

Konami Group recognizes revenue from contracts with customers based on the following five step approach, (excluding interest, dividend and other such income from financial instruments recognized in accordance with IFRS 9, insurance revenues recognized in accordance with IFRS 4 and lease income recognized in accordance with IFRS 16)

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at the amount of consideration promised in the contract with the customer after deduction of refund liabilities, including returned goods, trade discounts, and rebates.

(16) Finance income and finance costs

Finance income mainly consists of interest income, dividend income, foreign currency exchange gains and gains on sales of equity financial assets. Interest income is recognized using the effective interest method as incurred. Dividend income is recognized on the date when the right of Konami Group to receive the dividend is established.

Finance costs mainly consist of interest expenses, foreign currency exchange losses and losses on sales of equity financial assets. Interest expenses are recognized using the effective interest method as incurred.

(17) Income tax expense

Income tax expenses consist of current taxes and deferred taxes. These are recognized in profit or loss, except to the extent that the taxes arise from items which are recognized either in other comprehensive income or directly in equity, or from business combinations.

Current taxes are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amounts of assets and liabilities, the carryforward of unused tax losses and the unused tax credits, measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on tax rates and the tax laws that have been enacted or substantially enacted by the end of the reporting period. Deferred tax assets and liabilities are not recognized if:

- taxable temporary differences arise from the initial recognition of goodwill,
- temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of transaction, affects neither accounting profit or taxable profit (tax loss), or
- Konami Group is able to control the timing of the reversal of the temporary differences which are associated with investments in subsidiaries and associates, and it is probable that such differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset if Konami Group has a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized only for the deductible temporary differences, the carryforward of unused tax losses and the unused tax credits, to the extent that it is probable that future taxable profit will be available against which they can be utilized. The carrying amount of deferred tax assets are reviewed at the end of each reporting period, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of those deferred tax assets to be utilized.

(18) Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent, by the weighted average number of ordinary shares outstanding during the period that is adjusted for the number of treasury shares. Diluted earnings per share are calculated and adjusted for full effect of potentially dilutive ordinary shares.

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 business segments:

1. Digital Entertainment:	Production, manufacture and sale of digital content and related products including mobile games, card games and computer and video games.
2. Amusement:	Production, manufacture and sale of amusement machines.
3. Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
4. 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 (loss) 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.

Assets of each segment including investments in associates and deferred tax assets are measured in the same manner as those included in the accompanying Consolidated Statement of Financial Position. Segment assets are based on those directly associated with each segment. Assets not directly associated with specific segments, except those of corporate assets, are allocated in a consistent manner which management believes to be reasonable.

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 years ended March 31, 2021 and 2022.

(1) Operating segment information

For the year ended March 31, 2021

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥203,527	¥16,384	¥16,643	¥36,102	¥272,656	-	¥272,656
Intersegment	658	1,252	-	307	2,217	¥(2,217)	-
Total	204,185	17,636	16,643	36,409	274,873	(2,217)	272,656
Business profit	73,446	2,413	(2,077)	(5,873)	67,909	(3,745)	64,164
Other income and other expenses, net	-	-	-	-	-	-	(27,614)
Operating profit	-	-	-	-	-	-	36,550
Finance income and finance costs, net	-	-	-	-	-	-	(1,026)
Profit from investments accounted for using the equity method	-	-	-	-	-	-	57
Profit before income taxes	-	-	-	-	-	-	35,581
Other items							
Segment assets	209,241	51,536	33,412	63,620	357,809	131,197	489,006
Impairment losses	2,832	640	-	18,587	22,059	173	22,232
Depreciation and amortization expenses	4,319	2,246	1,699	8,135	16,399	2,773	19,172
Investments in non-current assets	¥11,695	¥3,221	¥2,220	¥900	¥18,036	¥5,938	¥23,974

1) Intersegment eliminations of business profit include corporate expenses not directly associated with specific segments and eliminations of intercompany sales. Corporate expenses primarily consist of personnel costs, advertising expenses and rent expenses, which substantially relate to our administrative department.
2) Intersegment eliminations of segment assets include corporate assets not directly associated with specific segments. Corporate assets primarily consist of cash and cash equivalents, financial assets, and property, plant and equipment.
3) Investments accounted for using the equity method in the Sports segment are discussed in Note 12 ”Investments accounted for Using the Equity Method.”
4) Impairment losses for property, plant and equipment, goodwill and intangible assets are discussed in Note 8 "Property, Plant and Equipment, net" and Note 9 "Goodwill and Intangible Assets."
5) Investments in non-current assets include expenditures for acquisitions of property, plant and equipment and intangible assets used in operations of each segment.

For the year ended March 31, 2022

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥214,363	¥17,877	¥25,630	¥41,652	¥299,522	-	¥299,522
Intersegment	647	1,633	-	305	2,585	¥(2,585)	-
Total	215,010	19,510	25,630	41,957	302,107	(2,585)	299,522
Business profit	76,424	3,492	3,495	767	84,178	(3,863)	80,315
Other income and other expenses, net	-	-	-	-	-	-	(5,880)
Operating profit	-	-	-	-	-	-	74,435
Finance income and finance costs, net	-	-	-	-	-	-	641
Profit from investments accounted for using the equity method	-	-	-	-	-	-	87
Profit before income taxes	-	-	-	-	-	-	75,163
Other items							
Segment assets	251,199	54,624	39,773	58,373	403,969	124,644	528,613
Impairment losses	4,838	256	-	1,573	6,667	50	6,717
Depreciation and amortization expenses	5,399	2,346	1,766	5,634	15,145	2,788	17,933
Investments in non-current assets	¥18,251	¥3,686	¥1,744	¥677	¥24,358	¥1,893	¥26,251

1) Intersegment eliminations of business profit include corporate expenses not directly associated with specific segments and eliminations of intercompany sales. Corporate expenses primarily consist of personnel costs, advertising expenses and rent expenses, which substantially relate to our administrative department.
2) Intersegment eliminations of segment assets include corporate assets not directly associated with specific segments. Corporate assets primarily consist of cash and cash equivalents, financial assets, and property, plant and equipment.
3) Investments accounted for using the equity method in the Sports segment are discussed in Note 12 ”Investments accounted for Using the Equity Method.”
4) Impairment losses for property, plant and equipment, goodwill and intangible assets are discussed in Note 8 "Property, Plant and Equipment, net" and Note 9 "Goodwill and Intangible Assets."
5) Investments in non-current assets include expenditures for acquisitions of property, plant and equipment and intangible assets used in operations of each segment.

(2) Geographic Information

Revenue from external customers

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue:		
Japan	¥221,512	¥229,606
United States	28,551	44,195
Europe	13,478	12,988
Asia/Oceania	9,115	12,733
Consolidated	¥272,656	¥299,522

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Non-current assets:		
Japan	¥157,858	¥165,435
United States	16,118	17,452
Europe	346	562
Asia/Oceania	949	812
Consolidated	¥175,271	¥184,261

Non-current assets consist of property, plant and equipment as well as intangible assets including goodwill and investment property.

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, and attributes assets based on where assets are located.

(3) Information about sales by product and service category.

Since the reporting segment is determined to be by product and service, this information is not reproduced again here.

5. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Cash and cash equivalents:		
Cash and deposits	¥201,606	¥248,416
Short-term deposits with maturities of three months or less	824	2,295
Total cash and cash equivalents on the Consolidated Statement of Financial Position	¥202,430	¥250,711

The balances of cash and cash equivalents on the Consolidated Statement of Financial Position agreed with the respective balances in Consolidated Statement of Cash Flows as of March 31, 2021 and 2022.

6. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Notes receivables	¥478	¥156
Accounts receivables	31,036	28,600
Other receivables	739	633
Less: allowance for expected credit losses	(379)	(335)
Total	¥31,874	¥29,054

7. Inventories

The breakdown of inventories is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Finished products	¥6,153	¥3,489
Work in process	466	243
Raw materials and supplies	3,772	5,225
Total	¥10,391	¥8,957

Inventories recognized as the cost of revenue for the fiscal years ended March 31, 2021 and 2022 were ¥26,261 million and ¥29,690 million, respectively.

Loss on valuation recognized as an expense for the fiscal years ended March 31, 2021 and 2022 were ¥913 million and ¥297 million, respectively.

8. Property, Plant and Equipment, net

(1) Reconciliations

Changes in acquisition cost, accumulated depreciation, accumulated impairment loss and the carrying amount of property, plant and equipment are as follows:

Millions of Yen

	Land	Buildings and structures	Tools, furniture and fixtures	Construction in progress	Total
Acquisition cost					
Balance as of March 31, 2020	¥41,020	¥162,422	¥33,032	¥200	¥236,674
Acquisitions	3,805	4,973	2,591	2,185	13,554
Sales and disposal	(21)	(14,472)	(2,161)	-	(16,654)
Transfer from construction in progress	57	1,462	(148)	(1,820)	(449)
Effect of foreign currency	32	465	260	1	758
Others	(146)	6,084	69	(112)	5,895
Balance as of March 31, 2021	44,747	160,934	33,643	454	239,778
Acquisitions	266	7,829	2,596	747	11,438
Sales and disposal	(87)	(8,731)	(1,523)	-	(10,341)
Transfer from construction in progress	29,987	2,834	(458)	(557)	31,806
Effect of foreign currency	198	1,359	970	18	2,545
Others	(210)	64	55	(19)	(110)
Balance as of March 31, 2022	¥74,901	¥164,289	¥35,283	¥643	¥275,116

Millions of Yen

	Land	Buildings and structures	Tools, furniture and fixtures	Construction in progress	Total
Accumulated depreciation and impairment losses					
Balance as of March 31, 2020	¥(687)	¥(95,277)	¥(24,079)	-	¥(120,043)
Depreciation expenses	(546)	(9,077)	(3,195)	-	(12,818)
Sales and disposal	21	14,416	2,033	-	16,470
Impairment losses	(1,336)	(15,241)	(651)	-	(17,228)
Transfer from construction in progress	-	-	230	-	230
Effect of foreign currency	-	(138)	(183)	-	(321)
Others	-	(112)	69	-	(43)
Balance as of March 31, 2021	(2,548)	(105,429)	(25,776)	-	(133,753)
Depreciation expenses	(313)	(7,101)	(2,963)	-	(10,377)
Sales and disposal	87	8,380	1,448	-	9,915
Impairment losses	(209)	(1,380)	(34)	-	(1,623)
Transfer from construction in progress	-	(113)	385	-	272
Effect of foreign currency	-	(344)	(679)	-	(1,023)
Others	14	330	(2)	-	342
Balance as of March 31, 2022	¥(2,969)	¥(105,657)	¥(27,621)	-	¥(136,247)

Millions of Yen

	Land	Buildings and structures	Tools, furniture and fixtures	Construction in progress	Total
Carrying amount					
Balance as of March 31, 2021	¥42,199	¥55,505	¥7,867	¥454	¥106,025
Balance as of March 31, 2022	¥71,932	¥58,632	¥7,662	¥643	¥138,869

1) Depreciation expenses on property, plant and equipment are included in "costs of revenue," "selling, general and administrative expenses" and "other income and other expenses, net" in the accompanying Consolidated Statement of Profit or Loss.
2) The balance of right-of-use assets are included in above.
3) The impact of updated estimate for asset retirement obligations are included in "Others" in "Buildings and structures" of "Acquisition cost" in above.
4) The impact of transfer from investment property to property, plant and equipment are included in "Transfer from construction in progress" in both "Land" and "Buildings and structures."

(2) Impairment losses

The breakdown of accumulated impairment losses by asset type is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Amusement segment		
Tools, furniture and fixtures	¥16	-
Sports segment		
Land	1,336	¥209
Buildings and structures	15,155	1,331
Tools, furniture and fixtures	562	34
Corporate assets		
Buildings and structures	86	49
Tools, furniture and fixtures	73	-
Total	¥17,228	¥1,623

Impairment losses are presented in the line item "other income and other expenses, net" in the Consolidated Statement of Profit or Loss.

Konami Group allocates its property, plant and equipment into groups which are considered to be the smallest cash-generating unit ("CGU") that generates largely independent cash inflows. Idle assets for which no future use is anticipated are considered individually as CGUs.

(Sports segment)

Konami Group determines its property, plant and equipment separated by geographical areas as the smallest cash-generating unit ("CGU") that generates largely independent cash inflows.

For the fiscal year ended March 31, 2021, indicators of impairment were identified for all of CGUs due to degradation in the business environment expected as a result of the impact of prolonged COVID-19 pandemic, and, as a result, impairment tests were performed. Therefore, impairment loss of ¥17,053 million was recognized. The recoverable amount of CGUs was measured as the higher of its value in use which is the discounted present value of expected future cash flow or fair value less costs of disposal, on the updated medium-term management plans. The recoverable amount of the CGUs in which impairment loss was recognized was ¥27,929 million.

For the fiscal year ended March 31, 2022, for certain CGUs where indicators of impairment were identified, including continuous deterioration of operating profits falling below zero, impairment tests were performed. As a result, impairment loss of ¥1,574 million was recognized on the CGUs where the recoverable amounts fell below their carrying amounts. The recoverable amount of CGUs was measured on the basis of its value in use which is the discounted present value of expected future cash flow on the medium-term management plans approved by management. The recoverable amount of the CGUs in which impairment loss was recognized was ¥6,014 million.

The key assumption for measurement of value in use is mainly sales growth rate based on membership trends. The fair value less costs of disposal was measured with external sources of information and the relevant fair value is categorized as Level 3.

The discount rate used in calculating its value in use on the basis of weighted average cost of capital corresponding to the CGUs for the fiscal year ended March 31, 2021 and 2022 were 6.2%.

(3) Borrowing costs

During the fiscal year ended March 31, 2021 and 2022, there were no capitalized borrowing costs on qualifying assets.

9. Goodwill and Intangible Assets

(1) Reconciliations

Changes in the acquisition cost, accumulated amortization, accumulated impairment losses and the carrying amounts of goodwill and intangible assets are as follows:

Millions of Yen

	Goodwill	Internally generated intangible assets	Trademarks	Memberships	Others	Total
Acquisition cost						
Balance as of March 31, 2020	¥22,007	¥51,496	¥50,561	¥6,640	¥7,499	¥138,203
Acquisitions	108	1,564	-	-	621	2,293
Internally generated development costs	-	11,746	-	-	-	11,746
Sales and disposals	-	(42,690)	-	-	-	(42,690)
Effect of foreign currency	16	26	-	-	135	177
Others	-	(449)	-	-	868	419
Balance as of March 31, 2021	22,131	21,693	50,561	6,640	9,123	110,148
Acquisitions	-	495	-	-	315	810
Internally generated development costs	-	20,821	-	-	-	20,821
Sales and disposals	-	(4,729)	-	-	0	(4,729)
Effect of foreign currency	70	69	-	-	503	642
Others	-	21	-	-	(22)	(1)
Balance as of March 31, 2022	¥22,201	¥38,370	¥50,561	¥6,640	¥9,919	¥127,691

Millions of Yen

	Goodwill	Internally generated intangible assets	Trademarks	Memberships	Others	Total
Accumulated amortization and impairment losses						
Balance as of March 31, 2020	¥(6,568)	¥(42,248)	¥(41,859)	¥(6,640)	¥(6,465)	¥(103,780)
Amortization expenses	-	(5,876)	-	-	(427)	(6,303)
Sales and disposals	-	42,267	-	-	-	42,267
Impairment losses	-	(3,456)	(1,534)	-	(14)	(5,004)
Effect of foreign currency	-	(3)	-	-	(55)	(58)
Others	-	291	-	-	(748)	(457)
Balance as of March 31, 2021	(6,568)	(9,025)	(43,393)	(6,640)	(7,709)	(73,335)
Amortization expenses	-	(7,111)	-	-	(403)	(7,514)
Sales and disposals	-	4,081	-	-	0	4,081
Impairment losses	-	(5,094)	-	-	0	(5,094)
Effect of foreign currency	-	(39)	-	-	(398)	(437)
Others	-	52	-	-	(52)	0
Balance as of March 31, 2022	¥(6,568)	¥(17,136)	¥(43,393)	¥(6,640)	¥(8,562)	¥(82,299)

Millions of Yen

	Goodwill	Internally generated intangible assets	Trademarks	Memberships	Others	Total
Carrying amount						
Balance as of March 31, 2021	¥15,563	¥12,668	¥7,168	-	¥1,414	¥36,813
Balance as of March 31, 2022	¥15,633	¥21,234	¥7,168	-	¥1,357	¥45,392

The amortization expenses for intangible assets are included in “costs of revenue” or “selling, general and administrative expenses” in the accompanying Consolidated Statement of Profit or Loss.

(2) Intangible assets with indefinite useful lives

At March 31, 2021 and 2022, the carrying amounts of intangible assets with indefinite useful lives included in above were ¥7,472 million and ¥7,499 million, respectively. Since those identifiable intangible assets primarily consist of trademarks acquired in businesses combinations which will not expire for as long as the business continues, the Company determined that such assets have indefinite useful lives as of March 31, 2022.

(3) Impairment losses allocated to cash-generating units including goodwill

In an impairment-test, goodwill and intangible assets with an indefinite life are allocated to respective cash-generating units. The carrying amounts of goodwill and intangible assets with an indefinite life allocated to respective cash-generating units are as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Goodwill		
Digital Entertainment	¥15,324	¥15,382
Gaming & Systems	239	251
Total	¥15,563	¥15,633
Intangible assets with an indefinite life		
Gaming & Systems	¥304	¥331
Sports	7,168	7,168
Total	¥7,472	¥7,499

Intangible assets with an indefinite useful life mainly consist of trademarks attributable to the Sports segment.

Impairment tests for major goodwill and intangible assets with an indefinite life are performed as follows:

(1) Digital Entertainment segment

In the Digital Entertainment segment, the recoverable amount is measured on the basis of its value in use based on the medium-term management plans approved by management. For subsequent periods, the value in use is estimated in reference to the long-term anticipated growth rate of the market or the country the CGU belongs to, based on management’s historical experiences and other available relevant external information. Even if the key assumptions used in the impairment test have changed within a reasonably predictable range, Konami Group concluded that it was unlikely to result in a significant impairment because the value in use calculated showed sufficient headroom over the carrying amount.

(2) Sports segment

The recoverable amounts of trademarks allocated to the Sports segment as CGU is calculated as fair value less costs of disposal using the relief-from-royalty method and the fair value is categorized as Level 3. The key assumption for the calculation of fair value less costs of disposal is sales growth rate based on membership trends.

For the fiscal year ended March 31, 2021, impairment loss of ¥1,534 million was recognized in “other income and other expenses, net” in the Consolidated Statement of Profit or Loss as Konami Group concluded that the recoverable amounts of trademarks fell below its carrying amount. The recognition of impairment loss was mainly due to difficulty in achieving growth forecasted previously for this business, which was a result of the impact of the prolonged COVID-19 pandemic.

The discount rate is calculated based on the cost of shareholders’ equity of the relevant CGU. For the fiscal year ended March 31, 2021 and 2022, the discount rates were 11.5%.

For the fiscal year ended March 31, 2022, the total recoverable amount exceeded its carrying amount. If either total revenue would decrease by 7.3% or the discount rate would increase by 0.8%, the recoverable amount and the carrying amount are equal.

(4) Impairment of internally generated intangible assets

Internally generated intangible assets are grouped at the individual title level to determine the CGU, and the assets that are not yet available for use are tested for impairment regardless of whether there are indicators of impairment or not. The assets that are available for use are tested for impairment in case there are indicators of impairment. If estimated earnings fall below zero, or if the market value of the title’s assets decline significantly below their carrying amounts, those internally generated intangible assets are determined that there are indicators of impairment. Impairment losses were recognized on certain titles’ internally generated intangible assets where the recoverable amounts fell below their carrying amounts through the test for impairment. The recoverable amount of internally generated intangible assets is determined based on their value in use, which is calculated by estimating future cash flows using assumptions, including sales projections and estimated costs of each title.

Impairment losses recognized and included in the line item “other income and other expenses, net” in the Consolidated Statement of Profit or Loss for the fiscal years ended March 31, 2021 and 2022 are as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Digital Entertainment	¥2,832	¥4,838
Amusement	624	256
Total	¥3,456	¥5,094

(5) Research and development costs

Expenditure on research that does not meet the criteria for capitalization is recognized as an expense in the period in which the expenditure is incurred. For the fiscal years ended March 31, 2021 and 2022, research and development costs recognized as expense incurred were ¥3,293 million and ¥4,499 million, respectively.

10. Leases

(1) Lessee

Konami Group occupies, among other things, land and buildings attributable to certain offices and facilities in the Sports segment under lease arrangements. Right-of-use assets are included in “property, plant and equipment, net” and lease liabilities are included in “other financial liabilities,” respectively, in the Consolidated Statement of Financial Position.

The breakdown of profit or loss under leases is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Depreciation expenses for right-of-use assets		
Land	¥546	¥298
Buildings and structures	6,265	4,232
Tools, furniture and fixtures	1	1
Total	¥6,812	¥4,531
Interest expense on lease liabilities	578	473
Expense associated with short-term leases	¥5,602	¥5,004

The breakdown of carrying amount of right-of-use assets is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Right-of-use assets		
Land	¥2,452	¥1,735
Buildings and structures	14,586	16,457
Tools, furniture and fixtures	4	3
Total	¥17,042	¥18,195

Increases in right-of-use assets for the fiscal years ended March 31, 2021 and 2022 were ¥3,300 million and ¥6,702 million, respectively.

The total cash outflow for leases for the fiscal years ended March 31, 2021 and 2022 were ¥11,064 million and ¥15,266 million, respectively.

Maturity analysis of lease liabilities are further discussed in Note 23 “Financial Instruments (5) Liquidity risk management”.

(2) Lessor

Konami Group holds an investment property and it generates income which consists of rental income from external tenants. The rental income accounts for lease transactions. For the fiscal year ended March 31, 2022, property was transferred from investment property to property, plant and equipment as of commencement of owner-occupation.

Maturity analysis of lease payments under operating leases is as follows:

Millions of Yen

Balance at March 31, 2021	Less than 1 year	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years	Total
Lease payments	¥817	-	-	-	-	-	¥817

Maturity analysis of lease payments under operating leases for balance at March 31, 2022 is omitted since it is not material.

11. Investment Property

(1) Overview of investment property

As for the building recognized as investment property, our owner-occupation has commenced since February 1, 2022 due to expiration of current fixed-term building lease agreement on January 31, 2022. Property was transferred from investment property to property, plant and equipment as of commencement of our owner-occupation.

(2) Changes

Changes in the carrying amounts, acquisition cost, accumulated depreciation and accumulated impairment losses of investment property are as follows:

Millions of Yen

	Investment property
Carrying amount	
Balance as of March 31, 2020	¥32,484
Depreciation expenses	(51)
Balance as of March 31, 2021	32,433
Depreciation expenses	(42)
Transfer to property, plant and equipment	¥(32,391)
Balance as of March 31, 2022	-

Millions of Yen

	Investment property
Acquisition cost	
Balance as of March 31, 2020	¥32,505
Balance as of March 31, 2021	¥32,505
Balance as of March 31, 2022	-

	Millions of Yen
	Investment property
Accumulated depreciation and impairment losses	
Balance as of March 31, 2020	¥21
Balance as of March 31, 2021	¥72
Balance as of March 31, 2022	-

(3) Fair value

Fair value of investment property is as follows:

	Millions of Yen	
	Balance as of March 31, 2021	Balance as of March 31, 2022
Investment property	¥29,460	-

The fair value of investment property is determined mainly on the basis of a valuation conducted by an independent real estate appraiser. The valuation is based on, among other things, discounted cash flow or observable market prices for similar assets. The entire fair value is categorized within Level 3 of fair value hierarchy. The level of fair value hierarchy is further discussed in Note 23 “Financial Instruments (7) Fair value of financial instruments (ii)Fair value hierarchy.”

(4) Income or expense from investment property

The amounts of rental income from investment property and direct operating expenses arising from investment property that generated rental income are as follows:

	Millions of Yen	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Rental income	¥903	¥752
Direct operating expenses	¥297	¥171

12. Investments Accounted for Using the Equity Method

At March 31, 2021 and 2022, Konami Group held the following investments accounted for using the equity method:

Name	Location	Description of business	Relationship	Acquisition Date	Ownership %
RESOL HOLDINGS Co., Ltd.	Japan	Management of resort facilities	Investment at the Sports segment Certain directors or officers of the Company concurrently serve as directors or officers	March 2006	20.4%

At March 31, 2021 and 2022, the carrying amount and fair value of investments accounted for using the equity method with quoted prices published in active markets, are as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Carrying amount	¥3,128	¥3,159
Fair value	¥4,690	¥4,973

Summarized financial information is omitted since it is not material to the Consolidated Financial Statements.

13. Other Investments

The breakdown of other investments is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Equity financial assets measured at fair value through other comprehensive income		
Securities	¥1,498	¥1,139
Non-securities	72	72
Financial assets measured at fair value through profit or loss		
Non-securities	20	20
Total	¥1,590	¥1,231

14. Other Financial Assets

The breakdown of other financial assets is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Financial assets measured at amortized cost		
Loans receivable	¥203	¥93
Lease deposits	18,046	16,787
Other financial assets	1,303	996
Less: allowance for expected credit losses	(37)	(22)
Total	¥19,515	¥17,854
Current	4,024	2,552
Non-current	¥15,491	¥15,302

Other financial assets (current) are included in “other current assets” in the accompanying Consolidated Statement of Financial Position.

15. Bonds and Borrowings

At March 31, 2021 and 2022, the details of short-term borrowings is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Unsecured short-term borrowings from banks	¥5,535	-
Total	¥5,535	-

Weighted-average interest rate on short-term borrowings was 0.65% at March 31, 2021. In addition, unsecured short-term borrowings from banks included $50,000 thousand (¥5,535 million) of loan denominated in foreign currencies at March 31, 2021.

At March 31, 2021 and 2022, the breakdown of bonds is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Unsecured 0.22% per-annum bonds due in July 2025	¥19,919	¥19,938
Unsecured 0.38% per-annum bonds due in July 2027	19,913	19,927
Unsecured 0.48% per-annum bonds due in July 2030	19,900	19,910
-% per annum euro-yen convertible bond-type bonds with subscription rights to shares due in December 2022	9,908	8,377
Total	69,640	68,152
Less: current portion	-	(8,377)
Long-term debt, non-current portion	¥69,640	¥59,775

At March 31, 2021 and 2022, Konami Group did not have any assets pledged as collateral for any of the debt obligations.

16. Trade and Other Payables

The breakdown of trade and other payables is as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Notes payables	¥189	¥542
Accounts payables	9,796	11,873
Accrued expenses	19,639	18,526
Refund liabilities	830	833
Other payables	2,373	1,712
Total	¥32,827	¥33,486

17. Provisions

The changes in provisions during the year ended March 31, 2022 were as follows:

Millions of Yen

	Asset retirement obligations	Others	Total
Balance as of March 31, 2021	¥12,881	¥201	¥13,082
Additional provisions	205	172	377
Amounts utilized	(2,414)	(62)	(2,476)
Unused amounts reversed	-	(36)	(36)
Discounted interest costs and effect of change in discount rate.	(227)	-	(227)
Effect of foreign currency	5	5	10
Balance as of March 31, 2022	¥10,450	¥280	¥10,730
Current liabilities	-	¥280	280
Non-current liabilities	¥10,450	-	¥10,450

Konami Group recognizes asset retirement obligations arising from the contractual requirements to perform certain asset retirement activities in case it disposes certain right-of-use assets primarily relating to the office and the Sports facilities. The liability is measured using the best estimate of expenditures for the future asset retirements. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related non-current asset and depreciated over the asset's estimated useful life. While these costs are expected to be paid after a period of more than one year has passed, this may be changed due to future changes in management plans.

Those provisions (current) are included in "other current liabilities" in the accompanying Consolidated Statement of Financial Position.

18. Other Financial Liabilities

The breakdown of trade and other payables are as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Financial liabilities measured at amortized cost		
Lease liabilities	¥35,762	¥32,197
Other financial liabilities	3,035	2,172
Total	¥38,797	¥34,369
Current liabilities	12,570	9,106
Non-current liabilities	¥26,227	¥25,263

19. Deferred Taxes and Income Tax Expense

Main components of deferred tax assets and liabilities are as follows:

Millions of Yen

	As of April 1, 2020	Recognized through profit or loss (Note)	Recognized in other comprehensive income	Recognized in equity directly	As of March 31, 2021
Deferred tax assets:					
Accrued expenses	¥4,221	¥1,663	-	-	¥5,884
Inventories	2,323	(161)	-	-	2,162
Net operating loss carryforwards	655	(189)	-	-	466
Property, plant and equipment basis differences	3,163	1,965	-	-	5,128
Asset retirement obligations	962	(780)	-	-	182
Intangible assets	9,989	(1,842)	-	-	8,147
Deferred revenue	1,079	1,378	-	-	2,457
Investments in associates	1,172	0	-	-	1,172
Others	5,185	(1,811)	¥19	-	3,393
Total	¥28,749	¥223	¥19	-	¥28,991
Deferred tax liabilities:					
Intangible assets	¥(3,326)	¥560	-	-	¥(2,766)
Investments in subsidiaries	(1,193)	(3)	-	-	(1,196)
Others	(1,381)	59	¥12	-	(1,310)
Total	¥(5,900)	¥616	¥12	-	¥(5,272)
Deferred tax assets, net	¥22,849	¥839	¥31	-	¥23,719

Note) The difference between the total amount of "recognized through profit or loss" in the above and the total amount of deferred tax expenses is due to foreign exchange fluctuations.

Millions of Yen

	As of April 1, 2021	Recognized through profit or loss (Note)	Recognized in other comprehensive income	Recognized in equity directly	As of March 31, 2022
Deferred tax assets:					
Accrued expenses	¥5,884	¥(1,132)	-	-	¥4,752
Inventories	2,162	106	-	-	2,268
Net operating loss carryforwards	466	(293)	-	-	173
Property, plant and equipment basis differences	5,128	(633)	-	-	4,495
Asset retirement obligations	182	616	-	-	798
Intangible assets	8,147	2,000	-	-	10,147
Deferred revenue	2,457	(1,987)	-	-	470
Investments in associates	1,172	32	-	-	1,204
Others	3,393	708	¥45	-	4,146
Total	¥28,991	¥(583)	¥45	-	¥28,453
Deferred tax liabilities:					
Intangible assets	¥(2,766)	¥(93)	-	-	¥(2,859)
Investments in subsidiaries	(1,196)	(128)	-	-	(1,324)
Others	(1,310)	(31)	¥(28)	-	(1,369)
Total	¥(5,272)	¥(252)	¥(28)	-	¥(5,552)
Deferred tax assets, net	¥23,719	¥(835)	¥17	-	¥22,901

Note) The difference between the total amount of "recognized through profit or loss" in the above and the total amount of deferred tax expenses is due to foreign exchange fluctuations.

Deferred tax assets and deferred tax liabilities included in the accompanying Consolidated Financial Statements are as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	¥25,051	¥23,671
Deferred tax liabilities	¥1,332	¥770

When recognizing deferred tax assets, Konami Group considers whether it is probable that future taxable profit will be available against which a portion or all of the deductible temporary differences or the carryforward of unused tax losses can be utilized. Konami Group considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in the reassessment of recoverability of deferred tax assets. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets can be recognized, Konami Group determines it is probable that deferred tax assets recognized relating to tax benefits will be realized. However, the amount of deferred tax assets recognized will be decreased if future taxable income decreases during the periods in which those tax benefits can be utilized.

At March 31, 2021 and 2022, the amount of deferred tax assets attributable to tax entities which had recognized losses for the fiscal year ended March 31, 2021 and 2022 were ¥21,917 million and ¥19,921 million, respectively. Konami Group recognized these deferred tax assets after considering their recoverability including whether it is probable that future taxable profit will be available based on the nature of the tax entity's businesses and the expiry date of unused tax losses carryforwards in the country where the entity is located.

The amounts of deductible temporary differences, unused tax losses and unused tax credits for which deferred tax assets have not been recognized are as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Deductible temporary differences	¥64,346	¥49,018
Unused tax losses carryforwards	89,583	95,885
Total	¥153,929	¥144,903
Unused tax credits carryforwards	¥303	¥123

Note) The amounts of deductible temporary differences and unused tax losses for which deferred tax assets have not been recognized are primarily related to local taxes (Inhabitant tax and enterprise tax).

The expiry dates of unused tax losses for which deferred tax assets have not been recognized are as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
First year	¥1,034	¥1,491
Second year	1,589	4,321
Third year	4,259	4,999
Fourth year	5,066	2,982
Fifth year and thereafter	77,635	82,092
Total	¥89,583	¥95,885

Konami Group recognized assets or liabilities for the effect of uncertainty in income taxes based on a reasonable estimate. The amounts of unrecognized tax benefits at March 31, 2021 and 2022, which would affect the effective tax rate, are not material. The Company is not able to predict whether the total amount of unrecognized tax benefits will significantly increase or decrease during the next twelve months.

The breakdown of current and deferred tax expenses are as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Income taxes:		
Current tax expense		
Current tax on profits for the year	¥4,088	¥19,426
Total current tax expense	4,088	19,426
Deferred tax expense		
Origination and reversal of temporary difference	(12,344)	2,429
Changes in tax rates	2,024	(435)
Reassessment of recoverability of deferred tax assets	9,539	(1,069)
Total deferred tax expense	(781)	925
Total income tax expense	¥3,307	¥20,351

Current tax expense includes tax losses used to reduce tax expense for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense were ¥102 million and ¥1,502 million in the fiscal years ended March 31, 2021 and 2022, respectively.

The Company and its domestic subsidiaries were subject to various taxes on their income, and its foreign subsidiaries are subject to income taxes in the countries in which they operate.

For the fiscal year ended March 31, 2021, a size-based business tax has applied to a domestic subsidiary of the Company since its share capital exceeded more than ¥100 million. Accordingly, the statutory income tax rate used to calculate deferred tax assets and liabilities of the domestic subsidiary was changed from 34.59% to 30.62%.

Konami Group recognized deferred tax assets and liabilities based on the enacted tax rates that will be applied when temporary differences and loss and credit carryforwards are expected to reverse.

Reconciliations between the statutory income tax rates and the effective tax rates are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Statutory income tax rate	30.6%	31.5%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	0.2	0.1
Non-taxable income	(0.5)	0.0
Changes of unrecognized deferred tax assets in previous years	26.8	(1.4)
Adjustment of estimated income tax accruals	0.1	(0.1)
Tax credit, principally research	(1.7)	(2.0)
Effect of changes in tax rate	5.7	(0.6)
Non-deductible local taxes	2.1	0.3
Revision to the carrying amount of investments in relation to the consolidated taxation system	(8.4)	-
Loss on valuation of shares of subsidiaries and associates	(41.7)	-
Other, net	(3.9)	(0.7)
Effective income tax rate	9.3%	27.1%

20. Employee Benefits

(1) Defined contribution plans

The Company and its domestic subsidiaries have adopted defined contribution plans.

Certain domestic subsidiaries began to offer participation in defined contribution plans to employees from the fiscal year ended March 31, 2012 and the Company and other domestic subsidiaries offered participation in defined contribution plans from the fiscal year ended March 31, 2014.

The Company and certain domestic subsidiaries’ contributions to the defined contribution plans amounted to ¥3,637 million and ¥3,687 million for the fiscal years ended March 31, 2021 and 2022, respectively. The expenses were reported as “cost of revenue” and “selling, general and administrative expenses” in the accompanying Consolidated Statement of Profit or Loss. These expenses include the amount recognized as expenses for the public pension plan.

(2) Accrued pension and severance costs

The Company has accrued a liability for retirement benefits for directors in the amount of ¥1,050 million and ¥1,050 million at March 31, 2021 and 2022, respectively, which are included in “other non-current liabilities” in the accompanying Consolidated Statement of Financial Position.

21. Shareholders′ Equity

(1) Share capital

The total number of ordinary shares authorized to be issued and issued shares was as follows:

Number of shares

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Ordinary shares authorized to be issued:		
Ordinary share, no-par-value	450,000,000	450,000,000
Issued shares:		
Balance at beginning of year	143,500,000	143,500,000
Change during the year	-	-
Balance at end of year	143,500,000	143,500,000

Note) Shares issued by the Company are ordinary shares without par value.

(2) Treasury shares

The following table summarizes treasury shares activities for the fiscal years ended March 31, 2021 and 2022:

	Number of shares	Millions of Yen
Balance as of March 31, 2020	10,285,500	¥27,836
Acquisition through purchase of odd-lot shares	1,352	7
Sell upon request for purchase of odd-lot shares	(79)	(0)
Balance as of March 31, 2021	10,286,773	27,843
Acquisition through purchase of odd-lot shares	1,249	8
Sell upon request for purchase of odd-lot shares	(96)	(0)
Exercise of subscription rights to shares	(368,335)	(983)
Balance as of March 31, 2022	9,919,591	¥26,868

(3) Share premium and retained earnings

(i) Share premium

The Companies Act of Japan (the “Companies Act”) requires in principle that the amount of payment for shares and assets delivered shall be the amount of share capital. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payments and assets to be incorporated into share premium.

(ii) Retained earnings

The Companies Act requires that an amount equal to 10% of dividends to be paid from retained earnings shall be appropriated and set aside as legal reserve until the total of share premium and legal reserve amounts to 25% of the share capital amount.

The Companies Act provides that a company may transfer amounts between share capital, reserves and surpluses, subject to certain conditions, such as a resolution at the shareholders' meeting.

At March 31, 2021 and 2022, retained earnings available for dividends recorded on the Company’s books of account were ¥164,032 million and ¥170,434 million, respectively.

22. Dividends

(1) Dividends paid

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2020	Ordinary shares	933	7.00	March 31, 2020	June 10, 2020
Board of Directors' meeting held on November 5, 2020	Ordinary shares	2,997	22.50	September 30, 2020	November 26, 2020
Board of Directors' meeting held on May 20, 2021	Ordinary shares	6,727	50.50	March 31, 2021	June 8, 2021
Board of Directors' meeting held on November 4, 2021	Ordinary shares	4,876	36.50	September 30, 2021	November 25, 2021

(2) Dividends whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividend	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 19, 2022	Ordinary shares	Retained earnings	11,621	87.00	March 31, 2022	June 7, 2022

23. Financial Instruments

(1) Categories of financial instruments

(1) Financial assets

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Financial assets measured at amortized cost		
Cash and cash equivalents	¥202,430	¥250,711
Trade and other receivables	31,874	29,054
Other financial assets	19,515	17,854
Equity financial assets measured at fair value through other comprehensive income		
Other investments	1,570	1,211
Financial assets measured at fair value through profit or loss		
Other investments	20	20
Total	¥255,409	¥298,850

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

In light of the purpose of holding, equity instruments such as shares held mainly for the purpose of maintaining or strengthening business relationships with investees are designated at initial recognition as equity financial assets measured at fair value through other comprehensive income.

The securities' names and fair values of equity financial assets measured at fair value through other comprehensive income mainly are as follows.

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
TV TOKYO Holdings Corporation	¥284	¥237
Gamecard-Joyco Holdings, Inc	¥246	¥205

(3) Financial liabilities

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Financial liabilities measured at amortized cost		
Trade and other payables	¥32,827	¥33,486
Bonds and borrowings	75,175	68,152
Other financial liabilities	38,797	34,369
Total	¥146,799	¥136,007

(2) Capital management

Konami Group's basic policy of capital management is to establish and maintain financial strength in order to sustain growth and maximize corporate value and shareholder return. Capital earned by carrying out this policy is used for investments in businesses and returned to shareholders through dividends.

The key metrics Konami Group uses for its capital management are as follows:

Millions of Yen except percentage

	As of March 31, 2021	As of March 31, 2022
Cash and cash equivalents	¥202,430	¥250,711
Interest-bearing borrowings	110,937	100,349
Capital	298,727	348,061
Net debt-to-equity ratio (%)	61.1%	65.8%

Interest-bearing borrowings: Total of long-term debt, short-term borrowings and lease liabilities
Capital: Total equity attributable to owners of the parent.
Capital ratio: Capital / Total liabilities and equity

Konami Group is not subject to any externally imposed capital requirement, excluding general regulations including the Companies Act.

(3) Financial risk management

Konami Group conducts its business on a global scale, and is therefore exposed to credit risk, liquidity risk, foreign currency risk and interest rate risk. In order to avoid and reduce these financial risks, Konami Group conducts risk management according to certain policies.

(4) Credit risk management

Financial assets included in trade and other receivables are exposed to the credit risks of customers. Lease deposits included in other financial assets are exposed to the credit risks of depositors.

With respect to these risks, the due dates and outstanding balances are managed for each business partner. Past due receivables are periodically reported and individually monitored according to internal rules corresponding to internal ratings and the amount of credit. Konami Group intends to mitigate credit risks by conducting regular monitoring of the companies with which it does business for early detection of any worsening of their financial health. It also requires collateral or a guarantee depending on the credit profile of the counterparty.

Konami Group’s standard policy is to enter into derivative transactions only with high rated financial institutions pursuant to the Company's risk management policies to hedge specific risks.

The maximum exposure to credit risks of financial assets is the carrying value of financial assets after impairment presented in the Consolidated Statement of Financial Position.

The changes in allowance for expected credit losses are as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at beginning of year	¥121	¥416
Allowance for expected credit losses	325	18
Utilization of allowance	-	(38)
Reversal	(41)	(71)
Effect of foreign currency	11	32
Balance at end of year	¥416	¥357

The balances of trade and other receivables and the corresponding allowance for expected credit losses for the fiscal years ended March 31, 2021 and 2022 are as follows.

Millions of Yen, except percentages

Balance at March 31, 2021

	Trade and other receivables						Doubtful accounts receivable	Total
	Not past due	Within 30 days	Over 30 days through 180 days	Over 180 days through 1 year	Over 1 year	Total		
Expected credit loss rates	0.02%	-	-	15.32%	27.91%	0.36%	100.00%	1.29%
Trade and other receivables	¥29,353	¥479	¥1,610	¥333	¥215	¥31,990	¥300	¥32,290
Allowance for expected credit losses	¥5	-	-	¥51	¥60	¥116	¥300	¥416

Millions of Yen, except percentages

Balance at March 31, 2022

	Trade and other receivables						Doubtful accounts receivable	Total
	Not past due	Within 30 days	Over 30 days through 180 days	Over 180 days through 1 year	Over 1 year	Total		
Expected credit loss rates	0.02%	-	-	3.08%	22.05%	0.33%	100.00%	1.21%
Trade and other receivables	¥26,857	¥753	¥899	¥260	¥381	¥29,150	¥260	¥29,410
Allowance for expected credit losses	¥5	-	-	¥8	¥84	¥97	¥260	¥357

(5) Liquidity risk management

Since Konami Group's sources of funds for operating transactions and capital expenditures include borrowings from banks and issuance of bonds, it is exposed to liquidity risks (the failure to make payments on due dates) due to deterioration in the financial environment.

In order to mitigate liquidity risks, Konami Group has entered into commitment line contracts with large, reputable banks, and prepares and updates monthly cash planning analyses.

The breakdown of financial liabilities by due date is as follows:

Millions of Yen

	Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years
Balance at March 31, 2021								
Bonds	¥69,640	¥71,568	¥216	¥10,216	¥216	¥216	¥20,187	¥40,517
Borrowings	5,535	5,545	5,545	-	-	-	-	-
Lease liabilities	35,762	37,400	10,008	6,350	4,884	4,309	3,879	7,970
Trade and other payables	32,827	32,827	32,827	-	-	-	-	-
Other financial liabilities	3,035	3,035	3,035	-	-	-	-	-
Total	¥146,799	¥150,375	¥51,631	¥16,566	¥5,100	¥4,525	¥24,066	¥48,487

Millions of Yen

	Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years
Balance at March 31, 2022								
Bonds	¥68,152	¥69,798	¥8,626	¥216	¥216	¥20,194	¥172	¥40,374
Lease liabilities	32,197	33,750	7,363	5,752	4,899	4,319	3,221	8,196
Trade and other payables	33,486	33,486	33,486	-	-	-	-	-
Other financial liabilities	2,172	2,172	2,172	-	-	-	-	-
Total	¥136,007	¥139,206	¥51,647	¥5,968	¥5,115	¥24,513	¥3,393	¥48,570

While Konami Group has committed lines of credit with large, reputable banks available for immediate borrowing in the amount of ¥25,000 million, no amount had been drawn down under any of these agreements as of March 31, 2021 and 2022.

(6) Market risk management

(1) Foreign currency risk

(i) Foreign currency risk management

Konami Group conducts its business on a global scale, and is exposed to foreign currency risk mainly arising from trade receivables and payables denominated in currencies other than Japanese yen. For the purpose of migrating the risks of foreign currency fluctuations on trade receivables and payables denominated in foreign currencies, Konami Group in principle hedges risk by using foreign currency forward contracts and other instruments. Konami

Group manages derivative transactions according to transaction authorization limits contained in internal finance policies.

The balance of financial assets and liabilities denominated in foreign currencies, including inter-group-company transactions, at March 31, 2021 and 2022 were as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Financial assets denominated in foreign currencies	¥18,945	¥31,596
Financial liabilities denominated in foreign currencies	¥3,262	¥8,518

(ii) Foreign currency sensitivity analysis

Below is an analysis of the impact a 1% increase in the value of the yen against the United States dollar and the Euro would have on Konami Group's income before income taxes for the fiscal years ended March 31, 2021 and 2022. In calculating these effects of amount, the corresponding financial assets and financial liabilities in foreign currency and the respective currency's fluctuation range are used. These calculations assume no changes in the value of other foreign currencies not included herein.

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
United States dollar	¥69	¥146
Euro	¥21	¥40

(2) Interest rate risk

(i) Interest rate risk management

Konami Group's interest-bearing borrowings are mainly bonds, borrowings and lease liabilities with fixed interest rates, but the balance of cash and cash equivalents held exceeds the outstanding balance of its interest-bearing borrowings. Accordingly, its current level of interest rate risk is not material, and Konami Group has not performed any interest rate sensitivity analysis.

There were no interest-bearing borrowings with variable rates at March 31, 2021 and 2022.

(7) 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:

(i) 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.

(ii) 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.

(iii) 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 breakdown of financial instruments showing carrying amounts and fair values is as follows:

Millions of Yen

	As of March 31, 2021		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥203	¥227	¥93	¥116
Lease deposits	18,046	18,654	16,787	17,736
Other financial assets	1,266	1,256	974	936
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	1,498	1,498	1,139	1,139
Other investments (Non-securities)	72	72	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	20	20	20	20
Financial liabilities:				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥75,175	¥73,082	¥68,152	¥66,103
Other financial liabilities	3,035	3,035	2,172	2,172

Other financial assets, bonds and borrowings and other financial liabilities are categorized as Level 2.

Other investments are categorized as Level 1 and Level 3.

(4) Fair values measured and disclosed on the Consolidated Statement of Financial Position

The following is a breakdown of financial assets that are measured at fair value on a recurring basis at March 31, 2021 and 2022.

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				
Other investments (Securities)	¥530	-	¥968	¥1,498
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	20	20
Total	¥530	-	¥1,060	¥1,590

Millions of Yen

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

Other investments, which are classified as Level 3, have no significant changes for the fiscal year ended March 31, 2021 and 2022.

24. Revenue

(1) Disaggregated revenue information

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

For the fiscal year ended March 31, 2021

Millions of Yen

	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥169,204	¥15,541	¥13,478	¥5,304	¥203,527
Amusement	16,206	-	-	178	16,384
Gaming & Systems	-	13,010	-	3,633	16,643
Sports	36,102	-	-	-	36,102
Revenue from external customers	¥221,512	¥28,551	¥13,478	¥9,115	¥272,656

Note) Revenues from contracts with customers show revenues from external customers which are deducting revenue from intersegment in the Consolidated Statement of Profit or Loss.

For the fiscal year ended March 31, 2022

Millions of Yen

	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥170,301	¥22,628	¥12,988	¥8,446	¥214,363
Amusement	17,653	-	-	224	17,877
Gaming & Systems	-	21,567	-	4,063	25,630
Sports	41,652	-	-	-	41,652
Revenue from external customers	¥229,606	¥44,195	¥12,988	¥12,733	¥299,522

Note) Revenues from contracts with customers show revenues from external customers which are deducting revenue from intersegment in the Consolidated Statement of Profit or Loss.

(1) Digital Entertainment segment

In the Digital Entertainment segment, Konami Group mainly distributes mobile games and sells card games and computer and video games.

With respect to products that we determine the performance obligations are satisfied at the time when they are delivered to customers, we recognize the revenue at the time.

In terms of games with online functionality, they contain two performance obligations for online and offline play functions, and we determine that online play functions are highly important due to obligations of availability to play through providing the functions continuously after sales. Therefore, all of the amount of transaction price are allocated to the online functions and the revenue is recognized at a predetermined amount over the estimated usage period based on customers' historical usage records since customers can enjoy the benefit from games any time after purchase.

Revenue from the sale of virtual items within games is recognized depending on the nature of the items. Revenue from the items consumed at the time when customers used within games is recognized at the time. Revenue from the items available any time for use after purchase is recognized at a predetermined amount over the estimated usage period of the items based on customers' historical usage records.

Customers pay for the products or services at the time or within one year at the time when the performance obligations are satisfied, and the amount of consideration does not contain any significant financing components.

(2) Amusement segment

With respect to amusement machines, we determine that the performance obligations are satisfied at the time when the products are delivered to customers, and we recognize the revenue at the time.

In addition, Konami Group renders services where we interface with amusement machines and multiple amusement arcades online and share user playing fees with customers (amusement facility operators). As these performance obligations are satisfied at the time when the user plays the game, the revenue is recognized at the time.

Customers pay for the products or services within one year at the time when the performance obligations are satisfied, and the amount of consideration does not contain any significant financing components.

(3) Gaming & Systems segment

With respect to the sale of gaming machines, we determine that the performance obligations are satisfied at the time when the products are delivered to customers, and we recognize the revenue at the time.

In addition, Konami Group renders services where we share user playing fees with customers (casino facility operators). As this performance obligation is satisfied at the time when the user plays the game, the revenue is recognized at the time.

Customers pay for the products and services within one year at the time when the performance obligations are satisfied, and the amount of consideration does not contain any significant financing components.

(4) Sports segment

In the Sports segment, Konami Group operates mainly fitness activities and exercise schools and sells sports related goods.

Revenue from fitness activities and exercise schools consists primarily of membership fees received from members, and is recognized over contract periods when the services are rendered due to the obligations of providing a service of standing ready to members.

In terms of sports related goods, we determine that the performance obligations are satisfied at the time when they are delivered to customers, and we recognize the revenue at the time.

Customers pay for membership fees of fitness activities and exercise schools in advance and pay for sports related goods within one year at the time when the performance obligations are satisfied, and the amount of consideration does not contain any significant financing components.

Konami Group recognizes revenues whose performance obligations are satisfied at a point in time are mainly recorded as “product sales revenue” in revenue and revenues whose performance obligations are satisfied over time are mainly recorded as “service and other revenue” in revenue.

(2) Contract balances

Details of receivables-contracts from customers and contract liabilities are as follows:

For the fiscal year ended March 31, 2021

Millions of Yen

	As of April 1, 2020	As of March 31, 2021
Receivables-contracts from customers	¥29,834	¥32,061
Contract liabilities	¥10,672	¥14,157

For the fiscal year ended March 31, 2022

Millions of Yen

	As of April 1, 2021	As of March 31, 2022
Receivables-contracts from customers	¥32,061	¥29,136
Contract liabilities	¥14,157	¥11,272

Receivables-contracts from customers are included in “trade and other receivables” and contract liabilities are included in “other current liabilities” and “other non-current liabilities” in the accompanying Consolidated Statement of Financial Position.

The balance of contract liabilities as of April 1, 2020 and 2021 included the revenue of ¥10,579 million and ¥14,067 million for the fiscal year ended March 31, 2021 and 2022, respectively. There was no revenue recognized from the satisfied performance obligations in the past for the fiscal year ended March 31, 2021 and 2022.

Contract liabilities mainly arise from contracts with customers in the Digital Entertainment segment and Sports segment. In the Digital Entertainment segment, contract liabilities primarily consist of the amount of consideration that customers paid for games with online play functions, for purchase of virtual items within games and advance received for pre order sales. In the Sports segment, contract liabilities primarily consist of advance received from customers for operations of fitness activities and exercise schools. Revenue recognition is further discussed in (1) Disaggregated revenue information.

(3) Transaction price allocated to the remaining performance obligations

Since there is no significant transaction of which individual contracts exceed one year, information about remaining performance obligations is omitted by optionally applying practical expedients. There is no significant amount of considerations from the contract with the customers which are not included in the transaction price.

(4) Assets recognized in respect of the costs to obtain or fulfil a contract with customers

For the fiscal year ended March 31, 2021 and 2022, there is no significant amount of assets recognized in respect of the costs to obtain or fulfil a contract with customers. In some cases, when the depreciation period of an asset to be recognized is within one year, the incremental cost of obtaining the contract is recognized as an expense at the time it incurs by optionally applying practical expedients to each contract.

25. Cost of Revenue and Selling, General and Administrative Expenses

Details of cost of revenue, selling and general and administrative expenses by nature are as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Employee benefit expenses	¥51,983	¥53,054
Commission paid	¥46,730	¥46,166
Royalties	¥25,388	¥29,607
Depreciation and amortization expenses	¥17,888	¥17,503
Outsourcing expenses	¥10,070	¥15,420

(Changes in presentation)

For the fiscal year ended March 31, 2021, rent expenses, which were presented in above, are omitted since they are not material. Rent expenses incurred for the fiscal year ended March 31, 2021 and 2022 were ¥8,690 million and ¥9,860 million, respectively.

For the fiscal year ended March 31, 2022, outsourcing expenses are presented in above due to an increase in the financial significance of outsourcing expenses.

26. Other Income and Other Expenses

The breakdown of other income and other expenses is as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Other income		
Gain on sale of property, plant and equipment, net	¥51	¥5
Others	909	2,412
Total	¥960	¥2,417
Other expenses		
Impairment losses	¥22,232	¥6,717
Loss on sale of property, plant and equipment, net	466	691
COVID-19-related loss	4,648	655
Others	1,228	234
Total	¥28,574	¥8,297

Impairment losses are further discussed in Note 8 "Property, Plant and Equipment, net" and Note 9 "Goodwill and Intangible Assets."

The COVID-19-related loss recognized for the fiscal year ended March 31, 2021 is comprised of fixed costs of ¥5,723 million related to running sports clubs, including personnel expenses, depreciation expenses and rent expenses, which were incurred, mainly in the Sports segment, during the period when sports clubs all over Japan were closed temporarily in line with state-of-emergency declaration from government and business suspension requests from local governments in response to the COVID-19 pandemic. In addition, employment adjustment subsidies from the government of ¥1,075 million was deducted from the COVID-19-related loss in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance," which was a leave allowance related to fixed costs incurred during the temporary closures.

27. Finance Income and Finance Cost

The breakdowns of finance income and finance costs are as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Finance income		
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	¥29	¥22
Interest income		
Financial assets measured at amortized cost	47	42
Foreign exchange gains	-	1,406
Others	2	2
Total	¥78	¥1,472
Finance costs		
Interest expenses		
Financial liabilities measured at amortized cost	¥899	¥804
Foreign exchange losses	191	-
Others	14	27
Total	¥1,104	¥831

28. Other Components of Equity and Other Comprehensive Income

(1) Other components of equity

Changes in other components of equity consist of the following:

	Exchange differences on translation of foreign operations	Net change in fair value of equity financial assets measured at fair value through other comprehensive income	Total
Balance as of March 31, 2020	¥(162)	¥73	¥(89)
Net change during the year	2,239	23	2,262
Transfer to retained earnings	-	-	-
Balance as of March 31, 2021	2,077	96	2,173
Net change during the year	4,862	(334)	4,528
Transfer to retained earnings	-	-	-
Balance as of March 31, 2022	¥6,939	¥(238)	¥6,701

(2) Other comprehensive income

Each component of other comprehensive income and allocated tax effects are shown below:

Millions of Yen

	Fiscal year ended March 31, 2021			Fiscal year ended March 31, 2022		
	Pretax amount	Tax (expense) or benefit	Net of tax amount	Pretax amount	Tax (expense) or benefit	Net of tax amount
Exchange differences on translation of foreign operations						
Net unrealized gains (losses) during the year	¥2,149	¥(19)	¥2,130	¥4,907	¥(45)	¥4,862
Reclassification adjustments to profit for the year	109	-	109	-	-	-
Net change during the year	2,258	(19)	2,239	4,907	(45)	4,862
Fair value of equity financial assets measured at fair value through other comprehensive income						
Net unrealized gains (losses) during the year	35	(12)	23	(362)	28	(334)
Net change during the year	35	(12)	23	(362)	28	(334)
Total other comprehensive income	¥2,293	¥(31)	¥2,262	¥4,545	¥(17)	¥4,528

29. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit attributable to owners of the parent	32,261 million yen	54,806 million yen
Adjustments for profit used in the calculation of diluted earnings per share	36 million yen	32 million yen
Profit used in the calculation of diluted earnings per share	32,297 million yen	54,838 million yen
Basic weighted average ordinary shares outstanding	133,214,149 shares	133,410,926 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,299,114 shares	2,118,248 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,513,263 shares	135,529,174 shares
Earnings per share attributable to owners of the parent for the period		
Basic	242.17 yen	410.80 yen
Diluted	238.33 yen	404.62 yen

30. Cash Flow Information

(1) Liabilities for financing activities

For the fiscal year ended March 31, 2021, changes in liabilities for financing activities are as follows:

Millions of Yen

	Balance as of April 1, 2020	Cash flows	Exchange differences on foreign operations	Others	Balance as of March 31, 2021
Short-term borrowings	¥28,265	¥(22,852)	¥122	-	¥5,535
Bonds	9,855	60,000	-	¥(215)	69,640
Lease liabilities	43,703	(10,485)	137	2,407	35,762
Total	¥81,823	¥26,663	¥259	¥2,192	¥110,937

For the fiscal year ended March 31, 2022, changes in liabilities for financing activities are as follows:

Millions of Yen

	Balance as of April 1, 2021	Cash flows	Exchange differences on foreign operations	Others	Balance as of March 31, 2022
Short-term borrowings	¥5,535	¥(5,743)	¥208	-	-
Bonds	69,640	-	-	¥(1,488)	¥68,152
Lease liabilities	35,762	(9,789)	125	6,099	32,197
Total	¥110,937	¥(15,532)	¥333	¥4,611	¥100,349

1) Changes in "Others" in "Bonds" primarily consist of conversion of convertible bond-type bonds.
2) Changes in "Others" in "Lease liabilities" primarily consist of renewal of lease contracts.

(2) Non-cash Transactions

The components of the principal non-cash transactions are as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Increase in property, plant and equipment related to recognition of asset retirement obligations	¥6,430	¥205
Increase in right-of-use assets related to lease transactions	¥3,293	¥6,702

31. Related Party Disclosures

(1) Related party transactions

Not applicable.

(2) Remuneration of key management personnel

The amounts of directors' remuneration for the fiscal years ended March 31, 2021 and 2022 were ¥285 million and ¥409 million, respectively. There was not any payment of remuneration other than basic remuneration to directors.

32. Major Subsidiaries

Major subsidiaries and associates of Konami Group are as follows:

Subsidiaries

Name	Location	Principal business	Ownership interest Voting rights (%)
Konami Digital Entertainment Co., Ltd.	Chuo-ku, Tokyo, JAPAN	Digital Entertainment Business	100
Konami Amusement Co., Ltd.	Ichinomiya, Aichi, JAPAN	Amusement Business	100
Konami Sports Co., Ltd.	Shinagawa-ku, Tokyo, JAPAN	Sports Business	100
Konami Real Estate, Inc.	Chuo-ku, Tokyo, JAPAN	Intersegment	100
Konami Corporation of America	California, U.S.A	Intersegment	100
Konami Digital Entertainment, Inc.	California, U.S.A	Digital Entertainment Business and Amusement Business	100
Konami Cross Media NY, Inc.	New York, U.S.A	Digital Entertainment Business	100
Konami Gaming, Inc.	Nevada, U.S.A	Gaming & Systems Business	100
Konami Digital Entertainment B.V.	Berkshire, U.K.	Digital Entertainment Business and Amusement Business	100
Konami Digital Entertainment Limited	Hong Kong, PRC	Digital Entertainment Business	100
Konami Amusement (Thailand) Co., Ltd.	Bangkok, Thailand	Amusement Business	100
Konami Australia Pty Ltd	New South Wales, Australia	Gaming & Systems Business	100

Associates

Name	Location	Principal business	Ownership interest Voting rights (%)
RESOL HOLDINGS Co., Ltd.	Shinjuku-ku, Tokyo, JAPAN	Sports Business	20

33. Commitments

(Commitment for purchases of property, plant and equipment)

Konami Group has placed firm orders for purchases of property, plant and equipment and other assets amounting to approximately ¥486 million and ¥13,243 million as of March 31, 2021 and 2022, respectively.

34. Contingencies

Konami Group is subject to pending claims and litigation. After review and consultation with counsel, management considered that any liability that may result from the disposition of such lawsuits would not be material.

35. Subsequent Events

There have been no events after March 31, 2022 that would require adjustments to the Consolidated Financial Statements or disclosures in the notes to the Consolidated Financial Statements.

36. Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by Representative Director, President, Kimihiko Higashio, on June 28, 2022.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KONAMI GROUP CORPORATION "Former company name KONAMI HOLDINGS CORPORATION"

Opinion

We have audited the consolidated financial statements of KONAMI GROUP CORPORATION "Former company name KONAMI HOLDINGS CORPORATION" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of Property, plant and equipment, net of the Sports segment	
Key audit matter description	How our audit addressed the key audit matter

In the Sports segment, the Company operates a large number of sports clubs. The balance of Property, plant and equipment, net of the segment was ¥27,475 million (5.1% of total assets) at March 31, 2022. As described in Note 8 “Property, Plant and Equipment, net” to the consolidated financial statements, the Company recognized an impairment loss of ¥1,574 million for Property, plant and equipment, net of the sports clubs for the year.
The Company determines whether indicators of impairment exist at the end of each reporting period, and if there are indicators of impairment, the asset is tested for impairment based on its recoverable amount. The recoverable amount of an asset or cash-generating unit (“CGU”) is the higher of value in use or fair value less costs of disposal. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset which are not considered in estimating the future cash flows. If it is not possible to estimate the recoverable amount of each asset individually for the impairment test, such assets are allocated into the smallest CGU that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. This grouping is primarily based on geographical areas.
Future cash flows underlying value in use, are estimated based on the medium-term management plans approved by management and on remaining lives of the asset. Key assumptions used in estimating value in use are future cash flows and discount rates used in the medium-term management plans. The Company's medium-term management plans are affected primarily by sales growth rate based on membership trends.
In terms of the valuation of Property, plant and equipment, net, the Company is required to determine whether indicators of impairment exist and to estimate value in use if indications of impairment exist. This process requires management’s judgment and this estimate involves uncertainty. Accordingly, we determined that this was a key audit matter.
	Our audit procedures for the valuation of Property, plant and equipment, net of the Sports segment primarily included following:
	• We obtained an understanding of and evaluated the design and operating effectiveness of internal controls related to the preparation and approval processes for medium-term management plans which constitute the basis for accurate calculation of value in use and impairment test processes for Property, plant and equipment, net.
	• We examined whether CGUs of Property, plant and equipment, net were appropriately grouped in accordance with the Company's policy.
	• We examined whether management's judgments regarding whether indicators of impairment existed were appropriately made based on operating profit and other indicators. We also examined whether management appropriately conducted impairment tests for CGUs with indicators of impairment based on the recoverable amount.
	• We evaluated the following significant management judgments and estimates when determining value in use:
	  • We made inquiries of management regarding sales growth rate based on membership trends, considering the recent market environment, and compared the figure to historical experience.
	  • We made inquiries of management regarding the feasibility of cost reductions, and compared the figure to historical experience.
	  • We confirmed that the forecast periods of future cash flows were determined considering the remaining useful lives of the assets or groups of assets.
	  • We confirmed that the discount rate applied was determined considering external data available.

Revenue recognition in the Digital Entertainment segment	
Key audit matter description	How our audit addressed the key audit matter

The Company recognized revenues of ¥214,363 million (71.6% of Konami Group's revenues) within the Digital Entertainment segment as described in Note 24 "Revenue" to the consolidated financial statements.
In the Digital Entertainment segment, the Company mainly distributes mobile games and sells card games and computer and video games. With respect to products that the Company determines the performance obligations are satisfied at the time when they are delivered to customers, revenue is recognized at a point in time. As for games with online functionality, they contain two performance obligations for online and offline play functions. Considering the importance of online play functions due to obligations of availability to play through providing the functions continuously after sales, the entire transaction price is allocated to the online play functions and the revenue is recognized at a predetermined amount over the estimated usage period based on customers' historical usage records as customers can enjoy the benefit from games any time after purchase. Revenue from the sale of virtual items within games is recognized depending on the nature of the items. Revenue from the items consumed when used by customers is recognized at the time when the customers use the items. Revenue from the items purchased in the game and available for use at any time after purchase is recognized at a predetermined amount over the estimated usage period based on the customers' historical usage records.
For games with online functionality, management's judgment based on the terms and conditions of each contract is required to determine the timing of satisfaction of performance obligations. Assumptions for the estimated usage period of online functionality and the estimated usage period of virtual items require management's judgment. Accordingly, we determined that this was a key audit matter.
	Our audit procedures for revenue recognition in the Digital Entertainment segment primarily included following:
	• For revenue recognition in the Digital Entertainment segment, we obtained an understanding of internal controls established by management to examine the appropriateness of revenue recognition, including trend analysis of deferred amounts.
	• We made inquiries of management in order to obtain an understanding of the business strategies and market environment of the Digital Entertainment segment.
	• For games with online functionality, we obtained an understanding of the processes to estimate stand-alone selling prices underlying the performance obligations and to allocate the transaction price to each performance obligation (which constitute the basis of determining the timing of satisfaction of performance obligations), conducted following procedures for assumptions approved by management, and evaluated significant management judgments and estimates:
	  • We made inquiries with management from the responsible department over the game content and market environment, and evaluated if the judgment as to whether performance obligation be satisfied at a point in time or over time was reasonable.
	• We obtained an understanding of the processes of determining the estimated usage period of online functionality and virtual items based on historical usage records of each game, conducted following procedures for assumptions approved by management, and evaluated significant management judgments and estimates:
	  • We made inquiries with management from the responsible department over the game content and market environment underlying estimated usage period of online functionality, and evaluated the reasonableness of the basis of the measurement method adopted by the Company by comparing it to the customers' actual usage period

	in prior years as well as the amortization period adopted by comparable companies. • We made inquiries with management from the responsible department over the game content and market environment underlying the estimated usage period of virtual items, and evaluated the reasonableness of the basis of the measurement method adopted by the Company by comparing the amount of revenue to be deferred and the deferral rate with those of historical experience in prior years.

Other Information

The other information comprises the information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for preparing and disclosing the other information. In addition, the Audit & Supervisory Committee is responsible for overseeing the directors' performance of duties in development and operation of the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on a going concern basis unless management intends to liquidate or cease operations or has no other practical alternative, and for disclosing, as applicable, matters related to going concern required to be disclosed under International Financial Reporting Standards.

Audit & Supervisory Committee are responsible for overseeing the directors' performance of duties in development and operation of the reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Shigeru Takahama
Designated Engagement Partner
Certified Public Accountant

Takeshi Tadokoro
Designated Engagement Partner
Certified Public Accountant

Soichiro Hayashi
Designated Engagement Partner
Certified Public Accountant

/s/PricewaterhouseCoopers Aarata LLC

July 14, 2022

2. Business Review

(1) Business Overview

For the fiscal year ended March 31, 2022, the situation remains uncertain due to issues such as the tense state of affairs in Ukraine and the spread of COVID-19 variants. On the other hand, vaccination efforts have progressed, and we are beginning to see signs of recovery such as the gradual restarting of socioeconomic activities.

Amidst circumstances under a rapidly changing market environment, in terms of the business results for the fiscal year ended March 31, 2022, in addition to solid performance in the Digital Entertainment business throughout the fiscal year, performance of Amusement business, Gaming & System business and Sports business has recovered, resulting in increase of revenue and profit among all business segments. This led to an increase in total revenue and all profit categories, i.e., business profit, operating profit, profit before income taxes and profit attributable to owners of the parent for the fiscal year ended March 31,2022, have reached a record high.

In terms of the consolidated results for the fiscal year ended March 31, 2022, total revenue amounted to ¥299,522 million (a year-on-year increase of 9.9%), business profit was ¥80,315 million (a year-on-year increase of 25.2%), operating profit was ¥74,435 million (a year-on-year increase of 103.6%), profit before income taxes was ¥75,163 million (a year-on-year increase of 111.2%), and profit attributable to owners of the parent was ¥54,806 million (a year-on-year increase of 69.9%).

(2) Performance by Business Segment

Summary of total revenue by business segment:

Millions of Yen

	Year ended March 31, 2021	Year ended March 31, 2022	% change
Total revenue:			
Digital Entertainment	¥204,185	¥215,010	5.3
Amusement	17,636	19,510	10.6
Gaming & Systems	16,643	25,630	54.0
Sports	36,409	41,957	15.2
Intersegment eliminations	(2,217)	(2,585)	-
Total revenue	¥272,656	¥299,522	9.9

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, as a new initiative for our business, we began global distribution of *Yu-Gi-Oh! MASTER DUEL* which allows our customers to enjoy playing *Yu-Gi-Oh! TRADING CARD GAME* as digital content anytime, anywhere. The title has been downloaded over 20 million times, and a wide range of users is enjoying it. Furthermore, the downloads have reached over 30 million times as of April 2022. We began selling Non-Fungible Tokens (NFTs) in an effort to preserve content that has been loved by our customers as an art.

As ongoing initiatives, each of our mobile titles— *eFootball Winning Eleven 2021* (Known overseas as *eFootball PES 2021*), *Yu-Gi-Oh! DUEL LINKS*, which celebrated the fifth anniversary of its global launch, and *PROFESSIONAL BASEBALL SPIRITS A (Ace)*, which announced a collaboration with legend Ichiro Suzuki, who played in the major leagues in Japan and America— has continued to be well received by our customers around the world. 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. In addition, we have endeavored to revitalize our content through measures such as holding major Duel tournaments and selling commemorative packs to mark the 25th anniversary of the original work. Alongside these initiatives, for *Yu-Gi-Oh! RUSH DUEL*, as a first step to enjoy the *Yu-Gi-Oh!* contents, we have been increasing brand awareness primarily to younger customers. In the computer and video games space, many customers have been enjoying *Momotaro Dentetsu: Showa, Heisei, Reiwa mo teiban*, which has sold over 3.5 million units, as one of our classic titles.

In the eSports space, we held the finals for the *eBASEBALL PROFESSIONAL BASEBALL SPIRITS 2021 Grand slam* tournament at “TOKYO eSPORTS FESTA 2022,” and delivered fierce competition. In addition, for the 2021 season of the “eBASEBALL Prospi A (Ace) League,” pro baseball eSports league, we held the eNippon Series to crown the best player in Japan for the first time. Furthermore, for *PROFESSIONAL BASEBALL SPIRITS A (Ace)*, we assembled a record number of participants for the 2021 season of “Prospi A (Ace) Championship” to determine the mightiest player, and the finals drew a massive amount of attention. We are also holding “PROFESSIONAL BASEBALL Virtual Opening Game 2022” using the latest edition of *eBASEBALL PAWAFURU PUROYAKYU 2022* to generate excitement for the start of the pro baseball season. We will continue to work towards further developing and building the appeal of eSports through these tournaments and various events.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2022 in this segment amounted to ¥215,010 million (a year-on-year increase of 5.3%) and business profit for the fiscal year ended March 31, 2022 amounted to ¥76,424 million (a year-on-year increase of 4.1%).

Amusement

In the amusement market, the global spread of COVID-19 has continued to affect sales of devices, in addition to having an impact on e-amusement participation (revenue share business).

Amidst this situation, in our business of games targeted at amusement facilities, *DANCE aROUND*, the latest dance game in the *Bemani* series, and *QuizKnock STADIUM*, our latest quiz game, began operations. In the medal game space, *GRANDCROSS GOLD*, the latest game in the major medal pusher game series *GRANDCROSS,* which allows players to enjoy the feeling of being physically present that can only be experienced in amusement facilities, as well as *ColorCoLotta: Frozen Island*, the latest game in the *ColorCoLotta* series, which has shifted the stage for adventure from the everlasting summer sea to an icy island and added new play elements, began operations. "KONAMI AMUSEMENT GAME STATION," which allows users to enjoy playing arcade games on PCs and smartphones at any time, continued its steady growth as well. Furthermore, we held "The 10th KONAMI Arcade Championship," the official Konami eSports competition, to determine the top arcade game players, which was pushed back from July 2021 due to the spread of COVID-19, taking all possible measures to prevent infections. The fierce battles across 13 titles were broadcast live, and the event was a great success. *PACHINKO SENGOKU COLLECTION BLACK*, the model with new specifications for *PACHINKO SENGOKU COLLECTION*, and *High School D x D2* also began operations.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2022 in this segment amounted to ¥19,510 million (a year-on-year increase of 10.6%) and business profit for the fiscal year ended March 31, 2022 amounted to ¥3,492 million (a year-on-year increase of 44.7%).

Gaming & Systems

In the gaming market, entrance restriction on casino facilities was relaxed in North America and Australia, and the situation is revitalizing the markets returning to its pre-COVID-19 level. The other markets are gradually recovering although certain restrictions remain.

Amidst these circumstances, we recognized revenue for the sale of slot machines including our core upright cabinet, the *DIMENSION 27*™ and the *DIMENSION 49*™. In addition, the *DIMENSION 49J*™, which is dedicated to participation (revenue share business), was selected for Best Slot Product, a prestigious award in the 20th Annual Global Gaming Business (GGB) Gaming & Technology Awards. In game content, *Fortune Mint,* a new content on our core cabinets, continued to maintain high performance in the North American market, resulting in increased sales of slot machines. As for titles are dedicated to participation, the new *Lucky Envelope* series has received favorable reviews and the *All Aboard* series has continued to perform well. Moreover, the installation of historical horse rating machines based on historical live horse racing outcomes is proceeding. In the casino management system, the installments of *SYNKROS*® casino management system to casino facilities continues to progress. *Money Klip*™, which was provided to Resorts World Las Vegas, a major IR facility that opened last year, received a great deal of attention as the first case of a cashless system being introduced in Las Vegas.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2022 in this segment amounted to ¥25,630 million (a year-on-year increase of 54.0%) and business profit for the fiscal year ended March 31, 2022 amounted to ¥3,495 million (business loss for the fiscal year ended March 31, 2021 amounted to ¥2,077 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 and the need for sports and exercise is growing.

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, 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 a facility as a new type of business called "Pilates Mirror Futako Tamagawa," (Setagaya-ku, Tokyo) women-only Pilates studios for small groups with ceiling-mounted mirrors.

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, Chuo-ku, Tokyo and Yoshinogari Town, Saga.

As part of a demonstration project for the "Future Classroom" program, which is run by the Ministry of Economy, Trade and Industry, we began providing club coaching support for Osaka Minoh-Higashi High School—and for Rikkyo Niiza Junior High School and Rikkyo Ikebukuro Junior High School, in collaboration with the Rikkyo Educational Corporation—based around the theme of verifying a social system based on integration between a community with a focus on school facilities and the sports club industry.

In the sports and health-related products market, in addition to selling the latest model of *POWER MAX V3 CONNECT*, an aerobic bike targeted at athletes which has been supported by a large number of athletes in the 35 years since its launch in 1986, we have been developing products which will assist many of our customers in their efforts to become healthy, such as the release of "RENER*"* energy drink, which has 3,000 mg of citric acid in its formula. Also, we added new flavors with Lac -Shield® to protein supplement "asu-body."

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 17 locations for the fiscal year ended March 31, 2022.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2022 in this segment amounted to ¥41,957 million (a year-on-year increase of 15.2%) and business profit for the fiscal year ended March 31, 2022 amounted to ¥767 million (business loss for the fiscal year ended March 31, 2021 amounted to ¥5,873 million).

(3) Cash Flows

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change
Cash flow summary:			
Net cash provided by operating activities	¥69,770	¥96,542	¥26,772
Net cash used in investing activities	(22,412)	(22,993)	(581)
Net cash (used in) provided by financing activities	22,426	(27,913)	(50,339)
Effect of exchange rate changes on cash and cash equivalents	1,214	2,645	1,431
Net (decrease) increase in cash and cash equivalents	70,998	48,281	(22,717)
Cash and cash equivalents at the end of the year	¥202,430	¥250,711	¥48,281

Comparison of fiscal year ended March 31, 2022 with fiscal year ended March 31, 2021

Cash and cash equivalents (hereafter, referred to as “Net cash”), as of March 31, 2022, amounted to ¥250,711 million, an increase of ¥48,281 million compared to the year ended March 31, 2021.

Net cash provided by operating activities amounted to ¥96,542 million for the year ended March 31, 2022, a year-on-year increase of 38.4%. This primarily resulted from an increase in profit for the year and an increase in income taxes refund.

Net cash used in investing activities amounted to ¥22,993 million for the year ended March 31, 2022, a year-on-year increase of 2.6%. This mainly resulted from a decrease in proceeds from refunds of lease deposits.

Net cash used in financing activities amounted to ¥27,913 million for the year ended March 31, 2022 (Net cash provided by financing activities amounted to ¥22,426 million for the year ended March 31, 2021). This primarily resulted from an increase in dividends paid, and proceeds from issuance of bonds for the fiscal year ended March 31, 2021.

3. Risk Factors

Special Note Regarding Forward-looking Statements.

This annual report contains forward-looking statements about our industry, our business, our plans and objectives, our financial condition and our results of operations that are based on our current expectations, assumptions, estimates and projections. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “anticipate”, “estimate”, “plan” or similar words. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of financial condition, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause our actual results to adversely differ, materially, from those contained in or suggested by any forward-looking statement. We cannot promise that our expectations, projections, anticipated estimates or other information expressed in or underlying these forward-looking statements will be realized. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Important risk factors that could cause our actual results to be materially different from those described in the forward-looking statements are set forth in this Item 3. or elsewhere in this annual report and include, without limitation:

- our ability to continue to win acceptance of our products, which are offered in highly competitive markets characterized by the continuous introduction of new products, rapid developments in technology and subjective and changing consumer preferences;
- changes in economic conditions affecting our operations or the way that individuals choose to spend their leisure time;
- our ability to successfully expand internationally with a focus on our Digital Entertainment, Amusement, and Gaming & Systems businesses;
- our ability to successfully expand the scope of our business and broaden our customer base through our Sports business;
- our ability to successfully generate cash flows on an individual club operation level sufficient to recover the carrying value of the related individual club operations;
- regulatory developments and changes, in particular in the gaming industry, and our ability to respond and adapt to those changes;
- the impact of natural disasters, such as earthquakes, on our facilities and personnel;
- our ability to successfully integrate current acquisitions and realize expected synergies and business benefits to recover the acquisition investment, including goodwill and separately identifiable intangible assets; and
- our expectations with regard to further acquisitions and the integration of any companies we may acquire.

(1) Risks relating to timely introduction of new products and services.

The timely releases of a new product and service are considered to be impacted from various factors, including not only production resources and production capacity, but also new technology and platform adoption. If we are unable to provide our products and services that address all of the factors appropriately and are satisfied by customers in quality in a timely fashion, our plans of revenue and profit could be negatively affected.

(2) Risks relating to competition.

The markets for entertainment and sports-oriented products and services we involve are intensely competitive, and new products and services by competitors are regularly introduced. Also, new type of entertainment and leisure activities which may become our competitors continue to be introduced. This may cause new competitions, and our competitive advantages in the market could be unable to be sustained.

(3) Risks relating to unfavorable economic conditions.

Any significant downturn in economic conditions which results in a decline in consumer sentiment could highly reduce demand for entertainment and sports-oriented products and services we involve.

(4) Risks relating to aging population and declining birth rate in Japan.

Rapidly growing aging population and declining birth rate worldwide could significantly change the markets for entertainment and sports-oriented products and services we involve.

(5) Risks relating to changing consumer preferences.

The markets for entertainment and sports-oriented products and services are characterized by trends and fads where the backgrounds are various factors including advances in technology and consumer preferences change rapidly. Adapting to rapidly changing consumer preferences requires innovations and improvements to products and services promptly. Our business results may be harmed if we are unable to successfully adapt and offer our products and services to changing consumer preferences.

(6) Risks relating to governmental restrictions and legal systems.

If governmental restrictions and legal systems in each country we involve were to be changed, we may have to change not only our products and services, but business models and strategies in order to observe new regulations. As a result, this could affect our business operation in those relevant countries.

(7) Risks relating to intellectual property rights.

Our products and services use and incorporate intellectual properties which are owned by outside, including certain copyrights. If these outside intellectual properties are unable to be licensed, provision of the relevant products and services could be negatively affected.

In addition, though we are exercising reasonable care to prevent the possibility from violating the intellectual property rights of others, it is not zero that third parties still may claim infringement due to disagreement. In this event, we insist that the intellectual property rights are legitimately licensed, however, disbursement of settlement could be necessary or the relevant intellectual properties could become unable to be licensed in order to solve the dispute, thus our business results could be negatively affected.

(8) Risks relating to our products and services containing defect.

Although strict quality confirmations are made to our products and services prior to releases, serious errors may be found in products and services after the releases. In that case, our business results could be negatively impacted.

(9) Risks relating to acquisition opportunities and investments.

We are seeking opportunities to make acquisitions and others that will not only expand our current businesses but also be expected to grow new businesses in the medium- and long-term, continuing to strive for sustainable growth and increased corporate value. Acquisitions and others involve various risks, including failure of integration after acquisitions and impairment due to deviations from the original plan. For the implementation, we continue to consider it carefully with exercising sufficient due diligence.

(10) Risks relating to personnel resources.

Our continued growth and success depend to a significant extent on the continued service of our senior management and employees and the hiring of new qualified employees. In particular, amidst aggressive recruiting for digital talents worldwide, retention of those human resources is extremely difficult. In addition, the hiring of international-skilled employees is urgently required in order to expand overseas operations further. If we are unable to attract and retain skilled personnel, our business results could be adversely affected.

(11) Risks relating to overseas operations.

Operations in foreign countries are required to address social turmoil generated by terrorism or conflicts, unexpected political factors, each country-specific business practice, tariff and fluctuation of exchange rates. If we are unable to take appropriate actions to all of these and other factors that are specific to overseas, our business results could be negatively affected.

(12) Risks relating to natural disasters and other incidents.

Incidents such as natural disasters, including earthquake, flood and typhoon, and pandemic may adversely affect society and economy, and even supply chain of our products. Appropriate measures such as earthquake resistance of buildings, emergency drill, hygiene measures in our offices, construction of safety confirmation system and consideration of alternative suppliers for our main parts are implemented, however, if these incidents happen in each of the countries and regions we conduct our operations, our business results may be adversely affected.

(The impact of COVID-19)

The impact of COVID-19 pandemic depends on factors such as the spread of COVID-19 variants and vaccine rollout, and the situation still requires careful attention. For Konami Group, as a result of voluntary temporary closures of stores and lockdown in line with the governments of various nations' policies, business stagnation and slowdown of future demand caused by these temporary closures and shortened business hours of amusement facilities, casino facilities and sports clubs, and review of work shift had an effect on Konami

Group's performance. If such measures are taken in the future, business activities may be limited and therefore our performance may be affected due to our inability to sell products and provide services.

We continue to take measures to minimize any potential impacts, including adequate measures to avoid infection of COVID-19 in our offices and facilities and to support employees' working system for development and operation from home.

(13) Risks relating to unexpected network interruptions or security breaches.

With utilizing information system connected with communication network, various measures to improve usability and security are considered and introduced in our business activities.

Nevertheless, cyber-attacks, unexpected disasters, accidents and infrastructure outages in electricity and communication could cause our information system failure. As a result, in case the system failure prevents us from providing our services, it may harm our business results.

(14) Risks relating to protection of personal information.

If it may cause that leaks of personal information on account of inappropriate handling by our officers and employees, security breaches, including hacking and unauthorized access, and others, our brand image and business results may be negatively affected. On the other hand, we endeavor to maintain robust protections to prevent such leaks of personal information, including not only establishment of strict information management policy and adequate training for officers and employees, but also taking durable security measures on our information system. In addition, we are taking all possible measures to establish the system to comply with personal data protection policy in countries around the world, including GDPR.

(15) Risks relating to future lawsuits.

If our business operations were to be charged by legal claims, lawsuits and other legal proceedings and these conclusions were to be adverse conditions to us, our business results may be negatively impacted.

(16) Risks relating to dishonest actions.

We are not only putting systems in place to prevent dishonest actions through illicit means and use on our products and services, but also prohibiting these acts in the Terms of Use and carrying out user awareness programs. In addition, we invoke serious penalties for violator of this policy. However, if by any chance the kind of dishonest actions should occur on a significant scale, our business results could be adversely affected as trust in Konami Group and its brand image could be impaired.

July 14, 2022

Responsibility Statement

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

Kimihiko Higashio, Representative Director, President, confirms that:

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

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