

KONAMI GROUP CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Nine Months Ended December 31, 2022

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the nine-month period ended December 31, 2022 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI GROUP CORPORATION filed its Quarterly Securities Report for the nine-month period ended December 31, 2022 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 13, 2023. The following is the outline of the Quarterly Securities Report.

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1. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2022	As of December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		¥250,711	¥209,016
Trade and other receivables		29,054	29,818
Inventories		8,957	13,618
Income tax receivables		1,443	7,180
Other current assets	10	9,461	10,504
Total current assets		299,626	270,136
Non-current assets			
Property, plant and equipment, net		138,869	155,871
Goodwill and intangible assets		45,392	52,583
Investments accounted for using the equity method		3,159	3,201
Other investments	10	1,231	1,414
Other financial assets	10	15,302	15,264
Deferred tax assets		23,671	24,088
Other non-current assets		1,363	1,522
Total non-current assets		228,987	253,943
Total assets		528,613	524,079
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,10	8,377	-
Other financial liabilities	10	9,106	8,688
Trade and other payables		33,486	32,420
Income tax payables		12,418	973
Other current liabilities	5	19,200	17,075
Total current liabilities		82,587	59,156
Non-current liabilities			
Bonds and borrowings	6,10	59,775	59,808
Other financial liabilities	10	25,263	23,962
Provisions		10,450	10,436
Deferred tax liabilities		770	1,008
Other non-current liabilities		1,692	1,754
Total non-current liabilities		97,950	96,968
Total liabilities		180,537	156,124
Equity			
Share capital		47,399	47,399
Share premium		75,027	78,144
Treasury shares		(26,868)	(21,593)
Other components of equity	7	6,701	10,879
Retained earnings		245,802	253,111
Total equity attributable to owners of the parent		348,061	367,940
Non-controlling interests		15	15
Total equity		348,076	367,955
Total liabilities and equity		¥528,613	¥524,079

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

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

Quarterly Condensed Consolidated Statement of Profit or Loss Nine months ended December 31, 2021 and 2022

		Millions of Yen	
	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue			
Product sales revenue		¥63,722	¥77,401
Service and other revenue		151,326	149,477
Total revenue	4,9	215,048	226,878
Cost of revenue			
Cost of product sales revenue		(29,736)	(38,773)
Cost of service and other revenue		(87,490)	(100,578)
Total cost of revenue		(117,226)	(139,351)
Gross profit		97,822	87,527
Selling, general and administrative expenses		(38,165)	(46,465)
Other income and other expenses, net	11	654	(3,539)
Operating profit		60,311	37,523
Finance income		391	1,324
Finance costs		(631)	(572)
(Loss) profit from investments accounted for using the equity method		(211)	99
Profit before income taxes		59,860	38,374
Income taxes		(17,477)	(10,803)
Profit for the period		42,383	27,571
Profit attributable to:			
Owners of the parent		42,381	27,571
Non-controlling interests		¥2	¥0

		Yen	
	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Earnings per share (attributable to owners of the parent)			
Basic	12	¥317.79	¥204.82
Diluted	12	¥312.89	¥203.46

Three months ended December 31, 2021 and 2022

		Millions of Yen	
	Note	Three months ended December 31, 2021	Three months ended December 31, 2022
Revenue			
Product sales revenue		¥24,160	¥25,938
Service and other revenue		51,402	52,581
Total revenue	4	75,562	78,519
Cost of revenue			
Cost of product sales revenue		(11,265)	(13,027)
Cost of service and other revenue		(30,234)	(34,571)
Total cost of revenue		(41,499)	(47,598)
Gross profit		34,063	30,921
Selling, general and administrative expenses		(13,045)	(15,470)
Other income and other expenses, net	11	183	(3,324)
Operating profit		21,201	12,127
Finance income		242	128
Finance costs		(208)	(1,350)
Loss from investments accounted for using the equity method		(48)	(10)
Profit before income taxes		21,187	10,895
Income taxes		(6,363)	(3,171)
Profit for the period		14,824	7,724
Profit attributable to:			
Owners of the parent		14,823	7,724
Non-controlling interests		¥1	¥0

		Yen	
	Note	Three months ended December 31, 2021	Three months ended December 31, 2022
Earnings per share (attributable to owners of the parent)			
Basic	12	¥110.96	¥56.99
Diluted	12	¥109.42	¥56.98

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

Quarterly Condensed Consolidated Statement of Comprehensive Income
Nine months ended December 31, 2021 and 2022

	Millions of Yen	
Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit for the period	¥42,383	¥27,571
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	(56)	196
Total items that will not be reclassified to profit or loss	(56)	196
Items that may be reclassified to profit or loss:		
Exchange differences on foreign operations	1,473	3,742
Total items that may be reclassified to profit or loss	1,473	3,742
Total other comprehensive income	1,417	3,938
<i>Total comprehensive income for the period</i>	43,800	31,509
Comprehensive income attributable to:		
Owners of the parent	43,798	31,509
Non-controlling interests	¥2	¥0

Three months ended December 31, 2021 and 2022

		Millions of Yen	
	Note	Three months ended December 31, 2021	Three months ended December 31, 2022
Profit for the period		¥14,824	¥7,724
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		(47)	160
Total items that will not be reclassified to profit or loss		(47)	160
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		1,286	(4,644)
Total items that may be reclassified to profit or loss		1,286	(4,644)
Total other comprehensive income		1,239	(4,484)
<i>Total comprehensive income for the period</i>		16,063	3,240
Comprehensive income attributable to:			
Owners of the parent		16,062	3,240
Non-controlling interests		¥1	¥0

(3) Quarterly Condensed Consolidated Statement of Changes in Equity

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2021		¥47,399	¥74,399	¥(27,843)	¥2,173	¥202,599	¥298,727	¥815	¥299,542
Profit for the period						42,381	42,381	2	42,383
Other comprehensive income					1,417		1,417		1,417
Total comprehensive income for the period		-	-	-	1,417	42,381	43,798	2	43,800
Purchase of treasury shares				(6)			(6)		(6)
Disposal of treasury shares			1	0			1		1
Dividends	8					(11,603)	(11,603)		(11,603)
Conversion of convertible bond-type bonds with subscription rights to shares			601	983			1,584		1,584
Total transactions with the owners		-	602	977	-	(11,603)	(10,024)	-	(10,024)
Balance at December 31, 2021		¥47,399	¥75,001	¥(26,866)	¥3,590	¥233,377	¥332,501	¥817	¥333,318

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2022		¥47,399	¥75,027	¥(26,868)	¥6,701	¥245,802	¥348,061	¥15	¥348,076
Profit for the period						27,571	27,571	0	27,571
Other comprehensive income					3,938		3,938		3,938
Total comprehensive income for the period		-	-	-	3,938	27,571	31,509	0	31,509
Purchase of treasury shares				(8)			(8)		(8)
Dividends	8					(20,022)	(20,022)		(20,022)
Conversion of convertible bond-type bonds with subscription rights to shares			3,117	5,283			8,400		8,400
Transfer from other components of equity to retained earnings					240	(240)	-		-
Total transactions with the owners		-	3,117	5,275	240	(20,262)	(11,630)	-	(11,630)
Balance at December 31, 2022		¥47,399	¥78,144	¥(21,593)	¥10,879	¥253,111	¥367,940	¥15	¥367,955

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

(4) Quarterly Condensed Consolidated Statement of Cash Flows

Millions of Yen

	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
<i>Operating activities</i>			
Profit for the period		¥42,383	¥27,571
Depreciation and amortization		12,642	18,268
Impairment losses		244	188
Interest and dividends income		(53)	(241)
Interest expense		612	547
Loss on sale or disposal of property, plant and equipment		16	32
Loss (profit) from investments accounted for using the equity method		211	(99)
Income taxes		17,477	10,803
Decrease in trade and other receivables		3,062	541
Decrease (increase) in inventories		1,811	(4,341)
Decrease in trade and other payables		(3,085)	(3,821)
Increase in prepaid expense		(2,552)	(927)
Decrease in contract liabilities		(5,738)	(1,911)
Other, net		(1,362)	(1,523)
Interest and dividends received		54	219
Interest paid		(490)	(444)
Income taxes refund (paid)		993	(28,146)
<i>Net cash provided by operating activities</i>		66,225	16,716
<i>Investing activities</i>			
Capital expenditures		(16,900)	(36,097)
Payments for lease deposits		(572)	(419)
Proceeds from refunds of lease deposits		1,809	1,329
Payments for asset retirement obligations		(1,458)	(71)
Payments into time deposits		(574)	-
Proceeds from withdrawal of time deposits		971	-
Other, net		104	162
<i>Net cash used in investing activities</i>		(16,620)	(35,096)
<i>Financing activities</i>			
Proceeds from short-term (more than 3 months) borrowings		5,496	-
Repayments of short-term (more than 3 months) borrowings		(7,776)	-
Principal payments of lease liabilities		(7,687)	(5,691)
Dividends paid	8	(11,587)	(19,993)
Other, net		(5)	(7)
<i>Net cash used in financing activities</i>		(21,559)	(25,691)
Effect of exchange rate changes on cash and cash equivalents		861	2,376
Net increase (decrease) in cash and cash equivalents		28,907	(41,695)
Cash and cash equivalents at the beginning of the period		202,430	250,711
<i>Cash and cash equivalents at the end of the period</i>		¥231,337	¥209,016

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

Notes to Quarterly Condensed Consolidated Financial Statements

1. Reporting Entity

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

The accompanying quarterly condensed consolidated financial statements consist of the Company and its consolidated subsidiaries (collectively, “Konami Group”) as well as equity interests in its associates.

Konami Group engages in the following four business operations: Digital Entertainment, Amusement, Gaming & Systems, and Sports businesses. The operations of each business segment are presented in Note 4 “Segment Information”.

On July 1, 2022, the Company changed its trade name from KONAMI HOLDINGS CORPORATION to KONAMI GROUP CORPORATION.

2. Basis of Preparation

(1) Compliance with IFRS

The quarterly condensed consolidated financial statements meet the requirements set out under Article 1-2, Paragraph 1, Item 2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements under which the Company is qualified as a “specified company applied Designated International Accounting Standards” and duly adopted the provisions of Article 93 of the foregoing rules.

Therefore, the Company prepares such quarterly condensed consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting”. Since the quarterly condensed consolidated financial statements do not contain all the information required in the consolidated financial statements for the fiscal year ended March 31, 2022, it should be read in combination with the annual consolidated financial statements.

(2) Use of estimates and judgments

In preparing quarterly condensed consolidated financial statements, management uses estimates and judgments. Judgments made by management, assumptions about the future and uncertainty in estimates may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of income and expenses as of the reporting date of the quarterly condensed consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts from revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods that are affected.

Information about estimates and judgments made by management that would have significant effects on the amounts recognized in the quarterly condensed consolidated financial statements is in the same manner of the consolidated financial statements for the fiscal year ended March 31, 2022 and is mainly as follows:

(The impact of COVID-19)

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

3. Significant Accounting Policies

The significant accounting policies adopted for these quarterly condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2022.

4. Segment Information

Konami Group's reportable segments constitute units of the Konami Group for which separate financial information is available. The Chief Operating Decision Maker regularly conducts deliberations to determine the allocation of management resources and to assess performance of each segment.

Operating segments are components of business activities from which Konami Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The operating segments are managed separately as each segment represents a strategic business unit that offers different products and serves different markets.

Konami Group operates on a worldwide basis principally with the following four operating segments:

a) Digital Entertainment:	Production, manufacture and sale of digital content and related products including mobile games, card games and computer and video games.
b) Amusement:	Production, manufacture and sale of amusement machines.
c) Gaming & Systems:	Production, manufacture, sale and service of gaming machines and casino management systems for overseas markets.
d) Sports:	Operation of fitness activities and sports classes, including swimming, gymnastics, dance, soccer, tennis, and golf, and production and sale of sports related goods.

Konami Group defines business profit associated with each segment as segment profit. Segment profit is determined by deducting “cost of revenue” and “selling, general and administrative expenses” from “revenue”. This does not include corporate expenses, finance income and finance costs, and certain non-regular expenses associated with each segment such as impairment losses on property, plant and equipment, goodwill and intangible assets. Intersegment eliminations primarily consist of administrative expenses not directly associated with specific segments and eliminations of intercompany sales.

Intersegment sales and revenues are generally recognized at values that represent arm’s-length fair value.

Neither Konami Group nor any of its segments depended on any single customer for more than 10% of Konami Group’s revenues for the nine months ended December 31, 2022.

(1) Operating segment information

For the nine months ended December 31, 2021

Millions of Yen

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

For the nine months ended December 31, 2022

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥155,944	¥9,450	¥27,782	¥33,702	¥226,878	-	¥226,878
Intersegment	480	1,108	82	14	1,684	¥(1,684)	-
Total	156,424	10,558	27,864	33,716	228,562	(1,684)	226,878
Business profit	¥37,414	¥1,062	¥3,882	¥820	¥43,178	¥(2,116)	41,062
Other income and other expenses, net	-	-	-	-	-	-	(3,539)
Operating profit	-	-	-	-	-	-	37,523
Finance income and finance costs, net	-	-	-	-	-	-	752
Profit from investments accounted for using the equity method	-	-	-	-	-	-	99
Profit before income taxes	-	-	-	-	-	-	¥38,374

For the three months ended December 31, 2021

Millions of Yen

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

For the three months ended December 31, 2022

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥53,554	¥3,013	¥10,702	¥11,250	¥78,519	-	¥78,519
Intersegment	167	366	43	6	582	¥(582)	-
Total	53,721	3,379	10,745	11,256	79,101	(582)	78,519
Business profit	¥13,911	¥12	¥1,881	¥319	¥16,123	¥(672)	15,451
Other income and other expenses, net	-	-	-	-	-	-	(3,324)
Operating profit	-	-	-	-	-	-	12,127
Finance income and finance costs, net	-	-	-	-	-	-	(1,222)
Loss from investments accounted for using the equity method	-	-	-	-	-	-	(10)
Profit before income taxes	-	-	-	-	-	-	¥10,895

(2) Geographic information

Revenue from external customers for the nine months ended December 31, 2021 and 2022

Millions of Yen

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue:		
Japan	¥166,141	¥151,176
United States	30,818	50,709
Europe	9,827	13,056
Asia/Oceania	8,262	11,937
Consolidated	¥215,048	¥226,878

Revenue from external customers for the three months ended December 31, 2021 and 2022

	Millions of Yen	
	Three months ended December 31, 2021	Three months ended December 31, 2022
Revenue:		
Japan	¥56,921	¥53,185
United States	12,615	17,401
Europe	3,362	3,759
Asia/Oceania	2,664	4,174
Consolidated	¥75,562	¥78,519

For the purpose of presenting its operations in the geographic areas above, Konami Group attributes revenues from external customers to individual countries in each area based on where Konami Group sold products or rendered services.

5. Other Current Liabilities

The following is a breakdown of other current liabilities as of March 31, 2022 and December 31, 2022.

	Millions of Yen	
	As of March 31, 2022	As of December 31, 2022
Contract liabilities	¥11,241	¥9,363
Others	7,959	7,712
Total	¥19,200	¥17,075

6. Bonds

For the nine months ended December 31, 2021, there was a part of conversion of euro-yen convertible bond-type bonds with subscription rights to shares (interest -%, due December 2022). The carrying amount of the bonds converted was ¥1,579 million. There was neither issuance nor redemption of bonds.

For the nine months ended December 31, 2022, there was a part of conversion of euro-yen convertible bond-type bonds with subscription rights to shares (interest -%, due December 2022). The carrying amount of the bonds converted was ¥8,391 million. There was neither issuance nor redemption of bonds.

7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥2,077	¥6,939
Net change during the period	1,473	3,742
Transfer to retained earnings	-	-
Balance at the end of the period	¥3,550	¥10,681
<i>Net Change in fair value of equity financial assets measured at fair value through other comprehensive income</i>		
Balance at the beginning of the period	¥96	¥(238)
Net change during the period	(56)	196
Transfer to retained earnings	-	240
Balance at the end of the period	¥40	¥198

8. Dividends

The Company paid dividends 87.00 yen per share and the total amount of ¥11,603 million for the nine months ended December 31, 2021.

The Company paid dividends 149.00 yen per share and the total amount of ¥20,022 million for the nine months ended December 31, 2022.

9. Revenue

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

For the nine months ended December 31, 2021

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

For the nine months ended December 31, 2022

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥108,270	¥27,885	¥13,056	¥6,733	¥155,944
Amusement	9,204	-	-	246	9,450
Gaming & Systems	-	22,824	-	4,958	27,782
Sports	33,702	-	-	-	33,702
Total revenue	¥151,176	¥50,709	¥13,056	¥11,937	¥226,878

10. Fair Value of Financial Instruments

(1) Measuring fair value of financial instruments

Methods for measuring the fair value of financial assets and liabilities are as follows:

1. Financial assets and liabilities measured at amortized cost

The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts because they have short term maturities.

The fair values of lease deposits and other financial assets are calculated as the present value of the total principal and interest discounted at interest rates reflecting the credit risks estimated by Konami Group, and categorized as Level 2.

The fair values of bonds and borrowings and other financial liabilities are calculated as the present value of the total principal and interest, discounted at interest rates that would be applied to new borrowings of Konami Group with similar terms and the same remaining maturity, and categorized as Level 2.

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

With regards to equity instruments included in other investments, the fair values of marketable securities are measured based on quoted market prices on equity markets of identical assets, and categorized as Level 1. The fair values of unlisted securities are determined based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and categorized as Level 3.

3. Financial assets and liabilities measured at fair value through profit or loss

The fair values of foreign exchange contracts are measured using valuation provided by financial institutions based on observable market data at the end of each reporting period, and categorized as Level 2. The fair values of debt instruments included in other investments are determined based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and categorized as Level 3.

(2) Fair value hierarchy

Fair values are categorized within the fair value hierarchy as follows:

- Level 1: Fair values measured at a price quoted in an active market.
- Level 2: Fair values calculated directly or indirectly using an observable price except for level 1.
- Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data.

(3) Fair value of financial instruments

The table is a breakdown of financial instruments showing carrying amounts and fair values as of March 31, 2022 and December 31, 2022.

Millions of Yen

	As of March 31, 2022		As of December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥93	¥116	¥35	¥35
Lease deposits	16,787	17,736	16,247	16,970
Other financial assets	974	936	1,157	1,082
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	1,139	1,139	1,262	1,262
Other investments (Non-securities)	72	72	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	20	20	80	80
Financial liabilities:				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥68,152	¥66,103	¥59,808	¥57,720
Other financial liabilities	2,172	2,172	2,166	2,166

(4) Fair values measured and disclosed on the quarterly condensed consolidated statements of financial position

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

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

Millions of Yen				
Balance at December 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)	¥690	-	¥572	¥1,262
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	80	80
Total	¥690	-	¥724	¥1,414

Other investments, which are classified as Level 3, have no significant changes for the nine months ended December 31, 2022.

11. Other Income and Other Expenses

During the three months ended June 30, 2021, COVID-19-related loss of ¥862 million was recognized and included in the line item “other income and other expenses, net.” The loss, mainly in sports segment, contains fixed costs of sports clubs including personnel expenses, depreciation expenses and rent expenses, which were incurred during the temporal closure period of sports clubs all over Japan in line with state-of-emergency declaration from government and business suspension request from local governments to avoid the spread of COVID-19.

During the three months ended September 30, 2021, we received employment adjustment subsidies from the government, which was a leave allowance related to COVID-19. In accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance,” the subsidies of ¥206 million was deducted from COVID-19 related loss included in the line item “other income and other expenses, net,” which was related to fixed costs incurred during the temporal closure period in line with state-of-emergency declaration from government and business suspension request from local governments during the three months ended June 30, 2021.

During the three months ended December 31, 2022, patent-related costs of ¥3,559 million in the Gaming & Systems business was recognized and included in the line item “other income

and other expenses, net.” We had been discussing issues including validity of other company’s patent relating to our products in Australia since 2011. In December 2022, we recognized all of the costs including compensation for the issues. As this case does not arise in countries other than Australia, no further costs associated with the issues incur in the future.

12. Earnings per Share

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

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit attributable to owners of the parent	42,381 million yen	27,571 million yen
Adjustments for profit used in the calculation of diluted earnings per share	25 million yen	9 million yen
Profit used in the calculation of diluted earnings per share	42,406 million yen	27,580 million yen
Basic weighted average ordinary shares outstanding	133,360,057 shares	134,611,852 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,169,249 shares	947,157 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,529,306 shares	135,559,009 shares
Earnings per share attributable to owners of the parent for the period		
Basic	317.79 yen	204.82 yen
Diluted	312.89 yen	203.46 yen

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

	Three months ended December 31, 2021	Three months ended December 31, 2022
Profit attributable to owners of the parent	14,823 million yen	7,724 million yen
Adjustments for profit used in the calculation of diluted earnings per share	7 million yen	0 million yen
Profit used in the calculation of diluted earnings per share	14,830 million yen	7,724 million yen
Basic weighted average ordinary shares outstanding	133,580,750 shares	135,511,419 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	1,948,247 shares	47,663 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,528,997 shares	135,559,082 shares
Earnings per share attributable to owners of the parent for the period		
Basic	110.96 yen	56.99 yen
Diluted	109.42 yen	56.98 yen

13. Subsequent Events

There have been no events after December 31, 2022 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

14. Approval of Quarterly Condensed Consolidated Financial Statements

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