

Consolidated Financial Results for the Year Ended March 31, 2023 (Prepared in Accordance with IFRS)

May 11, 2023

KONAMI GROUP CORPORATION

Address: 11-1, Ginza 1-chome, Chuo-ku, Tokyo, Japan
 Stock code number, TSE: 9766
 Ticker symbol, LSE: KNM
 URL: <https://www.konami.com/>
 Shares listed: Tokyo Stock Exchange and London Stock Exchange
 Representative: Kimihiko Higashio, Representative Director, President
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Date of General Shareholders Meeting: June 28, 2023 Beginning date of dividend payment: June 7, 2023

(Amounts are rounded to the nearest million, except percentages and per share amounts)

1. Consolidated Financial Results for the Year Ended March 31, 2023

(1) Consolidated Results of Operations (Millions of Yen, except percentages and per share amounts)

| | Revenue | Business profit | Operating profit | Profit before income taxes | Profit for the year | Profit attributable to owners of the parent |
|-----------------------------|---------|-----------------|------------------|----------------------------|---------------------|---|
| Year ended March 31, 2023 | 314,321 | 56,611 | 46,185 | 47,120 | 34,895 | 34,895 |
| % change from previous year | 4.9% | (29.5)% | (38.0)% | (37.3)% | (36.3)% | (36.3)% |
| Year ended March 31, 2022 | 299,522 | 80,315 | 74,435 | 75,163 | 54,812 | 54,806 |
| % change from previous year | 9.9% | 25.2% | 103.6% | 111.2% | 69.8% | 69.9% |

Total comprehensive income for the year: Year ended March 31, 2023: ¥39,834 million; (32.9)%

Year ended March 31, 2022: ¥59,340 million; 71.8%

Note) Business profit is calculated by deducting “cost of revenue” and “selling, general and administrative expenses” from “revenue.”

| | Basic earnings per share (attributable to owners of the parent) (yen) | Diluted earnings per share (attributable to owners of the parent) (yen) | Return on profit attributable to owners of the parent | Ratio of profit before income taxes to total assets | Ratio of operating profit to revenue |
|---------------------------|---|---|---|---|--------------------------------------|
| Year ended March 31, 2023 | 258.81 | 257.49 | 9.6% | 8.8% | 14.7% |
| Year ended March 31, 2022 | 410.80 | 404.62 | 16.9% | 14.8% | 24.9% |

Reference: Profit from investments accounted for using the equity method

Year ended March 31, 2023: ¥ 137 million

Year ended March 31, 2022: ¥ 87 million

(2) Consolidated Financial Position

(Millions of Yen, except percentages and per share amounts)

| | Total assets | Total equity | Total equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent | Equity attributable to owners of the parent per share (yen) |
|----------------|--------------|--------------|---|--|---|
| March 31, 2023 | 547,223 | 376,279 | 376,264 | 68.8% | 2,775.65 |
| March 31, 2022 | 528,613 | 348,076 | 348,061 | 65.8% | 2,605.63 |

(3) Consolidated Cash Flows

(Millions of Yen)

| | Net cash provided by (used in) | | | Cash and cash equivalents at the end of year |
|---------------------------|--------------------------------|----------------------|----------------------|--|
| | Operating activities | Investing activities | Financing activities | |
| Year ended March 31, 2023 | 36,098 | (42,786) | (27,467) | 219,263 |
| Year ended March 31, 2022 | 96,542 | (22,993) | (27,913) | 250,711 |

2. Cash Dividends

| Record Date | Cash dividends per share (yen) | | | | | Total cash dividends (annual) | Payout ratio (consolidated) | Cash dividend rate for equity attributable to owners of the parent (consolidated) |
|---------------------------------------|--------------------------------|--------------------|-------------------|----------|--------|-------------------------------|-----------------------------|---|
| | First quarter end | Second quarter end | Third quarter end | Year end | Annual | | | |
| Year ended March 31, 2022 | - | 36.50 | - | 87.00 | 123.50 | ¥16,497 million | 30.1% | 5.1% |
| Year ended March 31, 2023 | - | 62.00 | - | 62.00 | 124.00 | ¥16,805 million | 47.9% | 4.6% |
| Year ending March 31, 2024 (Forecast) | - | 62.00 | - | 62.00 | 124.00 | | 41.0% | |

3. Consolidated Earnings Forecast for the Year Ending March 31, 2024

(Millions of Yen, except percentages and per share amounts)

| | Revenue | Business profit | Operating profit | Profit before income taxes | Profit attributable to owners of the parent | Basic earnings per share (attributable to owners of the parent) (yen) |
|-----------------------------|---------|-----------------|------------------|----------------------------|---|---|
| | | | | | | |
| Year ending March 31, 2024 | 328,000 | 63,000 | 60,000 | 59,000 | 41,000 | 302.45 |
| % change from previous year | 4.4% | 11.3% | 29.9% | 25.2% | 17.5% | |

Noted Items

(1) Changes in significant consolidated subsidiaries during the period (status changes of subsidiaries due to changes in the scope of consolidation): None

(2) Changes in accounting policies and accounting estimate

- Changes in accounting policies required by IFRS: No
- Other changes: No
- Changes in accounting estimate: No

(3) Number of shares issued (Share capital)

- Number of shares issued: (Treasury shares included)

| | |
|----------------------|--------------------|
| As of March 31, 2023 | 143,500,000 shares |
| As of March 31, 2022 | 143,500,000 shares |
- Number of treasury shares:

| | |
|----------------------|------------------|
| As of March 31, 2023 | 7,941,177 shares |
| As of March 31, 2022 | 9,919,591 shares |
- Average number of shares outstanding:

| | |
|---------------------------|--------------------|
| Year ended March 31, 2023 | 134,830,397 shares |
| Year ended March 31, 2022 | 133,410,926 shares |

(Reference) Summary of Non-consolidated Financial Results

Results for the Year Ended March 31, 2023

(1) Non-consolidated Results of Operation

(Millions of Yen, except percentages and per share amounts)

| | Operating revenues | Operating income | Ordinary income | Net income |
|-----------------------------|--------------------|------------------|-----------------|------------|
| Year ended March 31, 2023 | 48,576 | 43,677 | 44,997 | 44,322 |
| % change from previous year | 146.8% | 171.8% | 170.3% | 169.9% |
| Year ended March 31, 2022 | 19,686 | 16,066 | 16,649 | 16,421 |
| % change from previous year | (62.5)% | (67.8)% | (66.8)% | 18.1% |

| | Basic net income per share (yen) | Diluted net income per share (yen) |
|---------------------------|-------------------------------------|---------------------------------------|
| Year ended March 31, 2023 | 328.73 | 326.95 |
| Year ended March 31, 2022 | 123.09 | 121.13 |

(2) Non-consolidated Financial Position

(Millions of Yen, except percentages)

| | Total assets | Total net assets | Equity ratio | Net assets per share (yen) |
|----------------|--------------|------------------|--------------|-------------------------------|
| March 31, 2023 | 351,413 | 287,842 | 81.9% | 2,123.38 |
| March 31, 2022 | 336,617 | 255,098 | 75.8% | 1,909.70 |

Reference: Total Stockholders' equity

Year ended March 31, 2023: ¥287,842 million

Year ended March 31, 2022: ¥255,098 million

Earnings release (Kessan Tanshin) regarding these consolidated financial results is not subject to auditing procedures.

Cautionary statement with respect to forward-looking statements and other matters:

Statements made in this document with respect to our current plans, estimates, strategies and beliefs, including the above forecasts, are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of information currently available to it and, therefore, you should not place undue reliance on them. A number of important factors could cause actual results to be materially different from and worse than those discussed in forward-looking statements. Such factors include, but are not limited to: (i) changes in economic conditions affecting our operations; (ii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro; (iii) 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; (iv) the timing of the release of new game titles and products, especially game titles and products that are part of historically popular series; (v) our ability to successfully expand internationally with a focus on our Digital Entertainment, Amusement, and Gaming & Systems businesses; (vi) our ability to successfully expand the scope of our business and broaden our customer base through our Sports business; (vii) regulatory developments and changes and our ability to respond and adapt to those changes; (viii) our expectations with regard to further acquisitions and the integration of any companies we may acquire; and (ix) the outcome of existing contingencies.

Please refer to page from 8 to 9 for further information regarding our business forecasts.

KONAMI GROUP CORPORATION (the "Company") disclosed the supplemental data for the consolidated financial statements via the Company's website on May 11, 2023.

1. Business Performance

(1) Overview of Business Performance

(i) Business Performance

For the fiscal year ended March 31, 2023, the situation still remains uncertain due to issues such as prolonged Ukraine conflict, rapid fluctuations in exchange rate caused by tight monetary policies around the world and surge in resource prices. Meanwhile, the situation, in which COVID-19 has once and again spread and calmed, improved due to factors such as progress made with vaccinations, and socioeconomic activities are being normalized thanks to the relaxation of behavioral restrictions. Economic activity is expected to recover further once COVID-19 has been downgraded as Class 5 under the Infectious Disease Control Law in Japan.

Amidst these circumstances, in terms of the business results of Konami Group for the fiscal year ended March 31, 2023, revenues have increased and reached a record high due to recovery from COVID-19 pandemic, mainly in the Gaming & Systems business, and depreciation of Japanese yen. On the other hand, in addition to amortization of product costs upon title releases and promotion costs incurred, rising energy costs have impacted on our profit performance.

In terms of the consolidated results for the fiscal year ended March 31, 2023, total revenue amounted to ¥314,321 million (a year-on-year increase of 4.9%), business profit was ¥56,611 million (a year-on-year decrease of 29.5%), operating profit was ¥46,185 million (a year-on-year decrease of 38.0%), profit before income taxes was ¥47,120 million (a year-on-year decrease of 37.3%), and profit attributable to owners of the parent was ¥34,895 million (a year-on-year decrease of 36.3%).

(ii) Performance by Business Segment

Summary of total revenue by business segment:

Millions of Yen, except percentages

| | Year ended March 31, 2022 | Year ended March 31, 2023 | % change |
|---------------------------|------------------------------|------------------------------|----------|
| Total revenue: | | | |
| Digital Entertainment | ¥215,010 | ¥213,432 | (0.7) |
| Amusement | 19,510 | 19,533 | 0.1 |
| Gaming & Systems | 25,630 | 38,573 | 50.5 |
| Sports | 41,957 | 45,473 | 8.4 |
| Intersegment eliminations | (2,585) | (2,690) | - |
| Total revenue | ¥299,522 | ¥314,321 | 4.9 |

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 spread of next generation communication systems. The ways in which content is enjoyed is becoming increasingly diversified, such as increased attention and growing fan bases for the eSports space, which treat video games as sports competitions, and gameplay videos.

Amidst these circumstances, as a new initiative in this business, we announced that we will remake the past title *SILENT HILL 2* to revive the *SILENT HILL* series, popular as psychological horror games. We also announced that the completely new games, *SILENT HILL: Townfall* and *SILENT HILL f*, are in production, and have received very favorable feedback. In addition, we launched the home computer and video game *Teenage Mutant Ninja Turtles: The Cowabunga Collection*, a compilation of the 13 works of this series which were well received in the past; this game performed strongly, especially in Europe and America. Furthermore, we started applications to introduce *Momotaro Dentetsu Kyoiku-ban Lite -Nihon-tte Omoshiroi!*, which will be provided free of charge to educational institutions such as schools as a teaching material that enables students to learn with enjoying geography, economics and other areas from the perspective of a game; this has attracted a lot of attention. As an initiative to promote baseball, we acted a global sponsor of “2023 World Baseball Classic™” and supported the Japanese national baseball team Samurai Japan as an official partner. Developing promotions and measures connected with this game, including having Samurai Japan players appear in-game, has meant that *PROFESSIONAL BASEBALL SPIRITS A (Ace)* has created much excitement.

As ongoing initiatives, the latest title *eFootball™ 2023* of the *eFootball™* series has surpassed the milestone of 600 million downloads thanks to a series of updates, measures and the heightened passion for soccer around the world, and is enjoyed by many customers. With regard to card games, we have launched a 25th anniversary commemorative project for *Yu-Gi-Oh! CARD GAME*. There has been a synergetic effect with *Yu-Gi-Oh! MASTER DUEL*, which began distribution a year ago, and an increase in the momentum of the overall content.

In the eSports space, we jointly held the 2022 season of “eBASEBALL Prospi A (Ace) League” with the Nippon Professional Baseball Organization (NPB). In February, we started “eFootball™ Championship Pro 2023,” in which professional eSports players contracted with professional European soccer clubs participated. In addition, *WBSC eBASEBALL™: POWER PROS* was selected as the competitive title for “Olympic Esports Series 2023,” organized by the International Olympic Committee (IOC), and qualifiers by category have begun.

For the fiscal year ended March 31, 2023, our performance in this segment was impacted due to increase in amortization of product costs and promotion costs by launching the titles of core contents successively, and increase in research and development expenses for newly developed titles.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2023 in this segment amounted to ¥213,432 million (a year-on-year decrease of 0.7%) and business profit for the fiscal year ended March 31, 2023 amounted to ¥53,009 million (a year-on-year decrease of 30.6%).

Amusement

In the amusement market, due to changes in people's behavior and awareness resulting from the COVID-19 pandemic, the "new normal" era of life becomes normalized. Therefore, the range of needs is expanding, such as demand for ways to play arcade games at home in addition to amusement facilities.

Amidst these circumstances, for videogames targeted at amusement facilities, we began operations of the mahjong game *Mahjong Fight Girl*, in which players can enjoy the reactions and performances of the characters as they play a match; it also has support functions for the peace of mind of players who want to learn mahjong. In medal games, we have launched the medal pusher game *Momotaro Dentetsu -Medal game mo teiban!-*, which is based on the home computer and video game *Momotaro Dentetsu -Showa, Heisei, Reiwa mo teiban!-* and offers the universally appealing enjoyment of a board game played with dice, and *Anima Lotta Anima to Hoshi no Monogatari*, the latest title in the *Anima Lotta* series which has reached its 10th anniversary, in turn. In terms of the pachinko slot machine 6.5, we have released *BOMBERGIRL* and *SENGOKU COLLECTION 5* into the market. "KONAMI AMUSEMENT GAME STATION," a service that allows users to enjoy arcade games on their computer or smartphone at any time, is performing well, especially "Medal Corner," to which two titles from the *FEATURE Premium* series were added in the fourth quarter.

In the eSports space, in addition to last season's competitive title *beatmania IIDX, SOUND VOLTEX* has become a new competitive title in the professional league "BEMANI PRO LEAGUE -SEASON 2-," which combines music and eSports; the regular stages and final, hotly fought by professional players selected at a draft conference by amusement facility operating companies, created a great deal of excitement. "eMAH-JONG MAH-JONG FIGHT CLUB Pro Tournament," which uses the mobile app *MAH-JONG FIGHT CLUB Sp*, saw the unfolding of close battles without handicaps between regular players chosen through selection tests and professional mahjong players associated with the Japan Professional Mahjong League.

For the fiscal year ended March 31, 2023, difference in timing of product launch has impacted on our performance in this segment.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2023 in this segment amounted to ¥19,533 million (a year-on-year increase of 0.1%) and business profit for the fiscal year ended March 31, 2023 amounted to ¥2,782 million (a year-on-year decrease of 20.3%).

Gaming & Systems

In the gaming market, the North American market and Australian market have regained their pre-COVID-19 energy. In other regions, the markets as a whole are also moving toward recovery.

Amidst these circumstances, in our slot machine business, the *DIMENSION* series continues to attract the attention of customers in the North American and Australian markets, where the series have won multiple awards. In terms of slot machine sales, *DIMENSION 49™* has maintained high operation in the market. In the area of participation (revenue share business), we are expanding the introduction of *DIMENSION 75C™* featuring a 75-inch curved monitor, to casino facilities. In terms of gaming content, *All Aboard™* has recorded industry-leading operation continuously. Moreover, titles such as *Fortune Mint™* and *Ocean Spin™* have been well received in the market and *SeleXion™*, which enables users to choose their favorite contents from among several titles on one cabinet, is expanding in the market.

In the casino management system, we introduced a variety of functionality which will enhance and strengthen our product appeal including *Money Klip*TM which made cashless casinos possible, maintaining the strong performance.

Despite the impact of soaring component costs caused by global supply chain disruptions, profitability has recovered due to various cost reduction initiatives.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2023 in this segment amounted to ¥38,573 million (a year-on-year increase of 50.5%) and business profit for the fiscal year ended March 31, 2023 amounted to ¥5,169 million (a year-on-year increase of 47.9%).

Sports

In the sports market, rising energy prices continues to impact on business environment. Meanwhile, behavioral restrictions are being relaxed so that people can continue their daily lives and socioeconomic activities and thus demand for sports and health promotion is growing.

Amidst these circumstances, in our operation of sports clubs, we worked to provide safe and secure opportunities for exercise. We have also continued to enrich our online services so that our customers can participate in a way that suits their own lifestyle as an option for new exercise opportunities.

For “Pilates Mirror,” Pilates studios with mirrors on the ceiling, we opened “Pilates Mirror Kichijoji” (Musashino-shi, Tokyo) in August 2022, “Pilates Mirror Sakura-shinmachi” (Setagaya-ku, Tokyo) in December 2022, and “Pilates Mirror Kyodo” (Setagaya-ku, Tokyo) and “Pilates Mirror Jiyugaoka” (Meguro-ku, Tokyo) in March 2023, which have been well received by many customers.

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 Yokohama City, Kanagawa, Hadano City, Kanagawa, Kyoto City, Kyoto, Fukuoka City, Fukuoka and Toyohashi City, Aichi.

In regard to growing school needs for outsourcing of swimming classes, we are providing swimming instruction services at many elementary and junior high schools throughout Japan, which have been well received.

For the “Undo Juku” exercise circle aimed at children, we are developing a variety of options to suit children, including swimming, gymnastics and dance, to encourage physical growth through sport. We have set up new swimming schools in four facilities in Isogo (Yokohama City, Kanagawa), Kawanishi (Kawanishi City, Hyogo), Jiyugaoka (Meguro-ku, Tokyo) and Izumi-chuo (Izumi City, Osaka). Thanks to synergy between “Undo Juku Digital Note,” which increases the practice effect using video and AI, and the coaching techniques of Konami Sports Club instructors, we have promoted the development of swimming schools that enable children to continue learning in a more enjoyable way.

For the fiscal year ended March 31, 2023, increased utilities expenses due to surge in energy prices have impacted on our performance in this segment, however, the impact was partly offset by taking measures such as optimization of facility operation.

In terms of financial performance, total revenue for the fiscal year ended March 31, 2023 in this segment amounted to ¥45,473 million (a year-on-year increase of 8.4%) and business profit for the fiscal year ended March 31, 2023 amounted to ¥451 million (a year-on-year decrease of 41.1%).

(iii) Outlook for the Fiscal Year Ending March 31, 2024

Projected consolidated results for the fiscal year ending March 31, 2024 are as follows: total revenue of ¥328,000 million; business profit of ¥63,000 million; operating profit of ¥60,000 million; profit before income tax of ¥59,000 million; and profit attributable to owners of the parent of ¥41,000 million.

Digital Entertainment

With networked entertainment offerings rapidly becoming mainstream, now more than ever, many people have an increasing number of opportunities to enjoy playing games on any device. Amidst this situation, in addition to gameplay based on the features of the device, we are promoting cross-platform development so that users can enjoy content beyond the boundaries of various devices. Additionally, as the ways of enjoying content continue to diversify, we will promote global efforts so that users can enjoy a wide range of game genres in various situations such as fan events and eSports competitions.

As a new initiative for the future, we will launch *Momotaro Dentetsu World -Chikyu wa Kibou de Mawatteru!*- in 2023, the latest title of the *Momotaro Dentetsu* series which is well-loved Japanese board game. This game is the first in the series to use Earth reproduced on a spherical map, taking a major step forward with worldwide content, with players aiming to become the richest in the world. As we work toward the launch of *SUPER BOMBERMAN R 2*, the latest title of the *BOMBERMAN* series, we have started accepting reservations.

As an ongoing initiative, we will continue to take appealing measures for titles such as *PROFESSIONAL BASEBALL SPIRITS A (ACE)*, *eFootball™ 2023* and *Yu-Gi-Oh! MASTER DUEL*, with the aim of having these titles well received by our customers. In addition, we are working assiduously to produce the *SILENT HILL* series, which has been hotly anticipated ever since we announced the decision to produce both a remake and entirely new titles, as well as the new vertically scrolling shooting game *CYONI: All Guns Blazing*.

In the eSports space, we will hold the eSports world championship “Yu-Gi-Oh! World Championship 2023” to decide the world’s top duelists in *Yu-Gi-Oh! OFFICIAL CARD GAME: DUEL MONSTERS* (Known overseas as *Yu-Gi-Oh! TRADING CARD GAME*), *Yu-Gi-Oh! DUEL LINKS*, and *Yu-Gi-Oh! MASTER DUEL*, which are enjoyed all over the world. In *eFootball™*, we will hold the World Finals of “eFootball™ Championship Open 2023.” Going forward, we will work on activities to disseminate the appeal of eSports with the aim of expanding the eSports fan base even more.

Amusement

We will offer new ways to play, created through interpersonal communication via services such as the e-amusement service, which connects amusement facilities around the country by networking them together. In addition, we are working to enhance content as well as promote further sales of dedicated controllers for “KONAMI AMUSEMENT GAME STATION,” which makes it possible to play high-quality games on PC and smartphone to enjoy arcade games at any time. In regard to amusement machine, we are planning to expand sales overseas as countries recovering from the COVID-19 pandemic, and to operate the online crane game “KONAMI ONLINE PRIZE GAME.”

In the eSports tournament “BEMANI PRO LEAGUE -SEASON 2-,” there will be heated battles as *DanceDanceRevolution* is added as a new competitive title. We are striving to further invigorate the BEMANI series by promoting the expansion of competitive titles.

With regard to pachinko and pachinko slots, we are preparing to produce and sell several titles in accordance with new standards; this includes plans to introduce new “Smart Pachinko” in addition to the “Smart Pachislot” introduced to the market last year, amid expectations that the market environment will improve.

Through providing new user experiences, we will deliver the amusement and fun of KONAMI titles,

which are enjoyable for participants and spectators alike, to an even greater number of customers, and we continue to have them lead to the revitalization of the amusement market.

Gaming & Systems

In our slot machine business, we are planning to introduce *DIMENSION TOP Box*TM, which combines a 27-inch main monitor and a 49-inch monitor, to the market as part of the *DIMENSION* series, which has been well received in the market, and to expand our lineup. Furthermore, in terms of gaming content, we will strive to improve the value of the *DIMENSION* series by developing new content in addition to the popular *All Aboard*TM, *Fortune Mini*TM and *Ocean Spin*TM.

For the casino management system *SYNKROS*[®], we added a new feature “Oracle Analytics,” which provides a dashboard to visualize the data collected by *SYNKROS*[®] using AI analysis. We aim to expand our market share by proceeding with the development of various functions that utilize cutting-edge technologies to meet the needs of our customers.

Sports

For the operation of sports clubs, while continuing daily life and socioeconomic activities, we will strive for operation which allows customers to use our facilities with peace of mind by taking measures in accordance with guidelines set by industry groups.

In April 2023, we opened two Pilates Mirror studios, “Pilates Mirror Nakameguro” (Meguro-ku, Tokyo) and “Pilates Mirror Gakugei-Daigaku” (Meguro-ku, Tokyo), which are Pilates studios with ceiling mirrors. “Pilates Mirror” has been well received by many customers, with some of the studios having waiting lists for membership, and we plan to increase the number of studios so that more customers can experience the “Pilates Mirror.”

In the outsourced school swimming classes, we will continue to increase the number of schools we work with in order to solve various problems they face, improve children's swimming skills and physical fitness, and enhance the swimming environment.

For the “Undo Juku” exercise circle aimed at children, we will support the new challenges of children by expanding facilities providing the swimming school and providing “Undo Juku Digital Note.”

We will continue to provide products and services that support a sustainable society.

(2) Consolidated Financial Position

(i) Total Assets, Total Liabilities and Total Equity

Total Assets:

Total assets amounted to ¥547,223 million as of March 31, 2023, increasing by ¥18,610 million compared with March 31, 2022. This mainly resulted from an increase in property, plant and equipment, and an increase in trade and other receivables, despite a decrease in cash and cash equivalents due to start of construction of our new building “Konami Creative Front Tokyo Bay,” and payment of income taxes and dividends.

Total Liabilities:

Total liabilities amounted to ¥170,944 million as of March 31, 2023, decreasing by ¥9,593 million compared with March 31, 2022. This primarily resulted from a decrease in bonds and borrowings due to conversion of convertible bond-type bonds with subscription rights to shares.

Total Equity:

Total equity amounted to ¥376,279 million as of March 31, 2023, increasing by ¥28,203 million compared with March 31, 2022. This mainly resulted from an increase in total equity attributable to owners of the parent due to recognition of profit for the year and impact of fluctuations in exchange rate, despite payment of dividends.

Ratio of equity attributable to owners of the parent as of March 31, 2023 was 68.8%, increasing by 3.0 points compared with March 31, 2022.

(ii) Cash Flows

| | Millions of Yen | | |
|--|------------------------------|------------------------------|-----------|
| | Year ended March 31, 2022 | Year ended March 31, 2023 | Change |
| Cash flow summary: | | | |
| Net cash provided by operating activities | ¥96,542 | ¥36,098 | ¥(60,444) |
| Net cash used in investing activities | (22,993) | (42,786) | (19,793) |
| Net cash used in financing activities | (27,913) | (27,467) | 446 |
| Effect of exchange rate changes on cash and cash equivalents | 2,645 | 2,707 | 62 |
| Net increase (decrease) in cash and cash equivalents | 48,281 | (31,448) | (79,729) |
| Cash and cash equivalents at the end of the year | ¥250,711 | ¥219,263 | ¥(31,448) |

Cash and cash equivalents (hereafter, referred to as “Net cash”), as of March 31, 2023, amounted to ¥219,263 million, a decrease of ¥31,448 million compared to the year ended March 31, 2022.

Cash flow summary for each activity for the year ended March 31, 2023 is as follows:

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥36,098 million for the year ended March 31, 2023, a year-on-year decrease of 62.6%. This primarily resulted from an increase in income taxes paid.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥42,786 million for the year ended March 31, 2023, a year-on-year increase of 86.1%. This primarily resulted from an increase in capital expenditures.

Cash flows from financing activities:

Net cash used in financing activities amounted to ¥27,467 million for the year ended March 31, 2023, a year-on-year decrease of 1.6%. This primarily resulted from an expenditure in repayment of short-term borrowings for the fiscal year ended March 31, 2022 despite an increase in dividends paid.

(iii) Basic Policy on the Distribution of Profits

Konami Group believes that the provision of dividends and the enhancement of corporate value are important ways to return profits to our shareholders. It is our policy to emphasize payment of dividends as a target of a consolidated payout ratio of more than 30% and to use retained earnings for investments focused on business fields with good future prospects in order to continually reinforce Konami Group's growth potential and competitiveness.

The year-end dividend for the consolidated year ended March 31, 2023 will be 62.00 yen per share. As a result, the dividends on an annual basis will be 124.00 yen per share including the distributed interim dividend (62.00 yen per share). We will maintain the same level of dividends based on the initial profit forecast for the fiscal year ended March 31, 2023 (As a result, payout ratio will be 47.9%).

The dividend forecast on an annual basis for the fiscal year ending March 31, 2024 also will be 124.00 yen per share.

Special Note:

This document contains "forward-looking statements," or statements related to future events that are based on management's assumptions and beliefs in light of information currently available. These statements are subject to various risks and uncertainties.

When relying on forward-looking statements to make investments, you should not place undue reliance on such forward-looking statements. Actual results may be affected by a number of important factors and may be materially different from those discussed in forward-looking statements. Such factors include, but are not limited to, changes in economic conditions affecting our operations, market trends and fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro.

2. Basic Policy on the Selection of Accounting Standards

The Company has voluntarily adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2015, for the purpose of enhancing comparability with the financial information of overseas companies in the same industry.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

| | Millions of Yen | |
|---|-------------------------|-------------------------|
| | As of March 31, 2022 | As of March 31, 2023 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | ¥250,711 | ¥219,263 |
| Trade and other receivables | 29,054 | 39,276 |
| Inventories | 8,957 | 12,705 |
| Income tax receivables | 1,443 | 9,486 |
| Other current assets | 9,461 | 9,311 |
| Total current assets | 299,626 | 290,041 |
| Non-current assets | | |
| Property, plant and equipment, net | 138,869 | 155,788 |
| Goodwill and intangible assets | 45,392 | 49,553 |
| Investments accounted for using the equity method | 3,159 | 3,239 |
| Other investments | 1,231 | 1,890 |
| Other financial assets | 15,302 | 15,001 |
| Deferred tax assets | 23,671 | 30,220 |
| Other non-current assets | 1,363 | 1,491 |
| Total non-current assets | 228,987 | 257,182 |
| Total assets | 528,613 | 547,223 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Bonds and borrowings | 8,377 | - |
| Other financial liabilities | 9,106 | 8,751 |
| Trade and other payables | 33,486 | 37,558 |
| Income tax payables | 12,418 | 9,760 |
| Other current liabilities | 19,200 | 19,025 |
| Total current liabilities | 82,587 | 75,094 |
| Non-current liabilities | | |
| Bonds and borrowings | 59,775 | 59,819 |
| Other financial liabilities | 25,263 | 23,050 |
| Provisions | 10,450 | 10,031 |
| Deferred tax liabilities | 770 | 1,141 |
| Other non-current liabilities | 1,692 | 1,809 |
| Total non-current liabilities | 97,950 | 95,850 |
| Total liabilities | 180,537 | 170,944 |
| Equity | | |
| Share capital | 47,399 | 47,399 |
| Share premium | 75,027 | 78,144 |
| Treasury shares | (26,868) | (21,594) |
| Other components of equity | 6,701 | 11,880 |
| Retained earnings | 245,802 | 260,435 |
| Total equity attributable to owners of the parent | 348,061 | 376,264 |
| Non-controlling interests | 15 | 15 |
| Total equity | 348,076 | 376,279 |
| Total liabilities and equity | ¥528,613 | ¥547,223 |

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

Consolidated Statement of Profit or Loss

| | Millions of Yen | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2022 | Year ended March 31, 2023 |
| Revenue | | |
| Product sales revenue | ¥85,901 | ¥106,833 |
| Service and other revenue | 213,621 | 207,488 |
| Total revenue | 299,522 | 314,321 |
| Cost of revenue | | |
| Cost of product sales revenue | (40,673) | (53,732) |
| Cost of service and other revenue | (124,010) | (138,198) |
| Total cost of revenue | (164,683) | (191,930) |
| Gross profit | 134,839 | 122,391 |
| Selling, general and administrative expenses | (54,524) | (65,780) |
| Other income and other expenses, net | (5,880) | (10,426) |
| Operating profit | 74,435 | 46,185 |
| Finance income | 1,472 | 1,550 |
| Finance costs | (831) | (752) |
| Profit from investments accounted for using the equity method | 87 | 137 |
| Profit before income taxes | 75,163 | 47,120 |
| Income taxes | (20,351) | (12,225) |
| Profit for the year | 54,812 | 34,895 |
| Profit attributable to: | | |
| Owners of the parent | 54,806 | 34,895 |
| Non-controlling interests | ¥6 | ¥0 |
| | | Yen |
| | Year ended March 31, 2022 | Year ended March 31, 2023 |
| Earnings per share (attributable to owners of the parent) | | |
| Basic | ¥410.80 | ¥258.81 |
| Diluted | ¥404.62 | ¥257.49 |

Consolidated Statement of Comprehensive Income

| | Millions of Yen | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2022 | Year ended March 31, 2023 |
| Profit for the year | ¥54,812 | ¥34,895 |
| 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 | (334) | 511 |
| Total items that will not be reclassified to profit or loss | (334) | 511 |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on foreign operations | 4,862 | 4,428 |
| Total items that may be reclassified to profit or loss | 4,862 | 4,428 |
| Total other comprehensive income | 4,528 | 4,939 |
| Total comprehensive income for the year | 59,340 | 39,834 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 59,334 | 39,834 |
| Non-controlling interests | ¥6 | ¥0 |

(3) Consolidated Statement of Changes in Equity

Millions of Yen

| | 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 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 | | | (8) | | | (8) | | (8) |
| Disposal of treasury shares | | 1 | 0 | | | 1 | | 1 |
| Dividends | | | | | (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 |

Millions of Yen

| | 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 year | | | | | 34,895 | 34,895 | 0 | 34,895 |
| Other comprehensive income | | | | 4,939 | | 4,939 | | 4,939 |
| Total comprehensive income for the year | - | - | - | 4,939 | 34,895 | 39,834 | 0 | 39,834 |
| Purchase of treasury shares | | | (9) | | | (9) | | (9) |
| Dividends | | | | | (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 | 5,274 | 240 | (20,262) | (11,631) | - | (11,631) |
| Balance at March 31, 2023 | ¥47,399 | ¥78,144 | ¥(21,594) | ¥11,880 | ¥260,435 | ¥376,264 | ¥15 | ¥376,279 |

(4) Consolidated Statement of Cash Flows

| | Millions of Yen | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2022 | Year ended March 31, 2023 |
| <i>Operating activities</i> | | |
| Profit for the year | ¥54,812 | ¥34,895 |
| Depreciation and amortization | 17,933 | 23,845 |
| Impairment losses | 6,717 | 3,562 |
| Interest and dividends income | (64) | (397) |
| Interest expense | 804 | 721 |
| Loss on sale or disposal of property, plant and equipment | 686 | 3,323 |
| Profit from investments accounted for using the equity method | (87) | (137) |
| Income taxes | 20,351 | 12,225 |
| Decrease (increase) in trade and other receivables | 4,532 | (8,749) |
| Decrease (increase) in inventories | 2,087 | (3,309) |
| (Decrease) increase in trade and other payables | (3,870) | 478 |
| (Increase) decrease in prepaid expense | (1,778) | 66 |
| Decrease in contract liabilities | (2,927) | (1,788) |
| Other, net | (3,010) | 913 |
| Interest and dividends received | 65 | 370 |
| Interest paid | (723) | (664) |
| Income taxes refund (paid) | 1,014 | (29,256) |
| <i>Net cash provided by operating activities</i> | 96,542 | 36,098 |
| <i>Investing activities</i> | | |
| Capital expenditures | (23,128) | (43,779) |
| Payments for lease deposits | (590) | (884) |
| Proceeds from refunds of lease deposits | 2,036 | 1,812 |
| Payments for asset retirement obligations | (1,812) | (98) |
| Payments into time deposits | (574) | - |
| Proceeds from withdrawal of time deposits | 971 | - |
| Other, net | 104 | 163 |
| <i>Net cash used in investing activities</i> | (22,993) | (42,786) |
| <i>Financing activities</i> | | |
| Proceeds from short-term (more than 3 months) borrowings | 5,496 | - |
| Repayments of short-term (more than 3 months) borrowings | (11,239) | - |
| Principal payments of lease liabilities | (9,789) | (7,459) |
| Dividends paid | (11,593) | (20,000) |
| Other, net | (788) | (8) |
| <i>Net cash used in financing activities</i> | (27,913) | (27,467) |
| Effect of exchange rate changes on cash and cash equivalents | 2,645 | 2,707 |
| Net increase (decrease) in cash and cash equivalents | 48,281 | (31,448) |
| Cash and cash equivalents at the beginning of the year | 202,430 | 250,711 |
| <i>Cash and cash equivalents at the end of the year</i> | ¥250,711 | ¥219,263 |

(5) Going Concern Assumption

None

(6) Segment Information

(i) Operating Segment Information

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 |

For the year ended March 31, 2023

Millions of Yen

| | Reportable segments | | | | | Intersegment eliminations | Consolidated |
|---|-----------------------|-----------|------------------|---------|----------|---------------------------|--------------|
| | Digital Entertainment | Amusement | Gaming & Systems | Sports | Total | | |
| Revenue | | | | | | | |
| External customers | ¥212,750 | ¥17,964 | ¥38,453 | ¥45,154 | ¥314,321 | - | ¥314,321 |
| Intersegment | 682 | 1,569 | 120 | 319 | 2,690 | ¥(2,690) | - |
| Total | 213,432 | 19,533 | 38,573 | 45,473 | 317,011 | (2,690) | 314,321 |
| Business profit | ¥53,009 | ¥2,782 | ¥5,169 | ¥451 | ¥61,411 | ¥(4,800) | 56,611 |
| Other income and other expenses, net | - | - | - | - | - | - | (10,426) |
| Operating profit | - | - | - | - | - | - | 46,185 |
| Finance income and finance costs, net | - | - | - | - | - | - | 798 |
| Profit from investments accounted for using the equity method | - | - | - | - | - | - | 137 |
| Profit before income taxes | - | - | - | - | - | - | ¥47,120 |

(Notes)

1. Konami Group operates on a worldwide basis principally with the following four business 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. |

2. 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.
3. Intersegment eliminations primarily consist of administrative expenses not directly associated with specific segments and eliminations of intercompany sales.

4. Other income and other expenses, net include impairment losses on property, plant and equipment and goodwill and intangible assets and profit or loss of sales and disposal on property, plant and equipment.

(ii) Geographic Information

Revenue from external customers

| | Millions of Yen | |
|-----------------|------------------------------|------------------------------|
| | Year ended March 31, 2022 | Year ended March 31, 2023 |
| Revenue: | | |
| Japan | ¥229,606 | ¥215,702 |
| United States | 44,195 | 66,185 |
| Europe | 12,988 | 16,236 |
| Asia/Oceania | 12,733 | 16,198 |
| Consolidated | ¥299,522 | ¥314,321 |

(Note)

For the purpose of presenting 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.

(7) Earnings per Share

| | Year ended March 31, 2022 | Year ended March 31, 2023 |
|--|------------------------------|------------------------------|
| Profit attributable to owners of the parent | 54,806 million yen | 34,895 million yen |
| Adjustments for profit used in the calculation of diluted earnings per share | 32 million yen | 9 million yen |
| Profit used in the calculation of diluted earnings per share | 54,838 million yen | 34,904 million yen |
| Basic weighted average ordinary shares outstanding | 133,410,926 shares | 134,830,397 shares |
| Adjustments for convertible bond-type bonds with subscription rights to shares | 2,118,248 shares | 728,583 shares |
| Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share | 135,529,174 shares | 135,558,980 shares |
| Earnings per share attributable to owners of the parent for the year | | |
| Basic | 410.80 yen | 258.81 yen |
| Diluted | 404.62 yen | 257.49 yen |

(8) Subsequent Events

None