

# **KONAMI GROUP CORPORATION**

Quarterly Condensed Consolidated Financial Statements  
for the Three Months Ended June 30, 2023

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the three-month period ended June 30, 2023 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI GROUP CORPORATION filed its Quarterly Securities Report for the three-month period ended June 30, 2023 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on August 10, 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, 2023	As of June 30, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		¥219,263	¥218,186
Trade and other receivables		39,276	30,694
Inventories		12,705	13,902
Income tax receivables		9,486	8,782
Other current assets	10	9,311	13,233
<b>Total current assets</b>		<b>290,041</b>	<b>284,797</b>
<b>Non-current assets</b>			
Property, plant and equipment, net		155,788	157,161
Goodwill and intangible assets		49,553	55,932
Investments accounted for using the equity method		3,239	3,316
Other investments	10	1,890	2,082
Other financial assets	10	15,001	16,073
Deferred tax assets		30,220	30,799
Other non-current assets		1,491	1,599
<b>Total non-current assets</b>		<b>257,182</b>	<b>266,962</b>
<b>Total assets</b>		<b>¥547,223</b>	<b>551,759</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other financial liabilities	10	8,751	8,877
Trade and other payables		37,558	31,869
Income tax payables		9,760	4,384
Other current liabilities	5	19,025	23,677
<b>Total current liabilities</b>		<b>75,094</b>	<b>68,807</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	6,10	59,819	59,830
Other financial liabilities	10	23,050	23,122
Provisions		10,031	9,999
Deferred tax liabilities		1,141	1,193
Other non-current liabilities		1,809	1,844
<b>Total non-current liabilities</b>		<b>95,850</b>	<b>95,988</b>
<b>Total liabilities</b>		<b>170,944</b>	<b>164,795</b>
<b>Equity</b>			
Share capital		47,399	47,399
Share premium		78,144	78,144
Treasury shares		(21,594)	(21,596)
Other components of equity	7	11,880	17,597
Retained earnings		260,435	265,405
<b>Total equity attributable to owners of the parent</b>		<b>376,264</b>	<b>386,949</b>
Non-controlling interests		15	15
<b>Total equity</b>		<b>376,279</b>	<b>386,964</b>
<b>Total liabilities and equity</b>		<b>¥547,223</b>	<b>¥551,759</b>

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 Three months ended June 30, 2022 and 2023

		Millions of Yen	
	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Revenue			
Product sales revenue		¥21,885	¥21,912
Service and other revenue		50,020	50,721
Total revenue	4,9	71,905	72,633
Cost of revenue			
Cost of product sales revenue		(10,802)	(9,489)
Cost of service and other revenue		(32,331)	(31,151)
Total cost of revenue		(43,133)	(40,640)
Gross profit		28,772	31,993
Selling, general and administrative expenses		(14,673)	(14,832)
Other income and other expenses, net		(59)	(10)
Operating profit		14,040	17,151
Finance income		1,853	1,278
Finance costs		(192)	(168)
Profit from investments accounted for using the equity method		151	133
Profit before income taxes		15,852	18,394
Income taxes		(4,420)	(5,019)
Profit for the period		11,432	13,375
Profit attributable to:			
Owners of the parent		11,432	13,375
Non-controlling interests		¥0	¥0

		Yen	
	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Earnings per share (attributable to owners of the parent)			
Basic	11	¥85.41	¥98.67
Diluted	11	¥84.38	¥98.67

**Quarterly Condensed Consolidated Statement of Comprehensive Income**  
**Three months ended June 30, 2022 and 2023**

Millions of Yen			
	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit for the period		¥11,432	¥13,375
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		(5)	130
Total items that will not be reclassified to profit or loss		(5)	130
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		5,297	5,587
Total items that may be reclassified to profit or loss		5,297	5,587
Total other comprehensive income		5,292	5,717
<b><i>Total comprehensive income for the period</i></b>		<b>16,724</b>	<b>19,092</b>
Comprehensive income attributable to:			
Owners of the parent		16,724	19,092
Non-controlling interests		¥0	¥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		
<b>Balance at April 1, 2022</b>		¥47,399	¥75,027	¥(26,868)	¥6,701	¥245,802	¥348,061	¥15	¥348,076
Profit for the period						11,432	11,432	0	11,432
Other comprehensive income					5,292		5,292		5,292
Total comprehensive income for the period		-	-	-	5,292	11,432	16,724	0	16,724
Purchase of treasury shares				(5)			(5)		(5)
Dividends	8					(11,621)	(11,621)		(11,621)
Conversion of convertible bond-type bonds with subscription rights to shares			1,099	1,865			2,964		2,964
Total transactions with the owners		-	1,099	1,860	-	(11,621)	(8,662)	-	(8,662)
<b>Balance at June 30, 2022</b>		¥47,399	¥76,126	¥(25,008)	¥11,993	¥245,613	¥356,123	¥15	¥356,138

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		
<b>Balance at April 1, 2023</b>		¥47,399	¥78,144	¥(21,594)	¥11,880	¥260,435	¥376,264	¥15	¥376,279
Profit for the period						13,375	13,375	0	13,375
Other comprehensive income					5,717		5,717		5,717
Total comprehensive income for the period		-	-	-	5,717	13,375	19,092	0	19,092
Purchase of treasury shares				(2)			(2)		(2)
Disposal of treasury shares			0	0			0		0
Dividends	8					(8,405)	(8,405)		(8,405)
Total transactions with the owners		-	0	(2)	-	(8,405)	(8,407)	-	(8,407)
<b>Balance at June 30, 2023</b>		¥47,399	¥78,144	¥(21,596)	¥17,597	¥265,405	¥386,949	¥15	¥386,964

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

## (4) Quarterly Condensed Consolidated Statement of Cash Flows

Millions of Yen

	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
<b><i>Operating activities</i></b>			
Profit for the period		¥11,432	¥13,375
Depreciation and amortization		5,738	3,655
Impairment losses		59	-
Interest and dividends income		(51)	(238)
Interest expense		185	160
(Profit) Loss on sale or disposal of property, plant and equipment		(0)	3
Profit from investments accounted for using the equity method		(151)	(133)
Income taxes		4,420	5,019
Decrease in trade and other receivables		5,343	10,308
Increase in inventories		(1,980)	(416)
Decrease in trade and other payables		(4,290)	(4,503)
Increase in prepaid expense		(3,349)	(3,313)
Increase in contract liabilities		1,233	1,805
Other, net		2,228	1,176
Interest and dividends received		54	234
Interest paid		(111)	(96)
Income taxes paid		(13,047)	(10,205)
<b><i>Net cash provided by operating activities</i></b>		<b>7,713</b>	<b>16,831</b>
<b><i>Investing activities</i></b>			
Capital expenditures		(19,193)	(10,662)
Payments for lease deposits		(129)	(44)
Proceeds from refunds of lease deposits		751	103
Other, net		0	0
<b><i>Net cash used in investing activities</i></b>		<b>(18,571)</b>	<b>(10,603)</b>
<b><i>Financing activities</i></b>			
Principal payments of lease liabilities		(1,962)	(1,835)
Dividends paid	8	(11,563)	(8,366)
Other, net		(6)	(2)
<b><i>Net cash used in financing activities</i></b>		<b>(13,531)</b>	<b>(10,203)</b>
Effect of exchange rate changes on cash and cash equivalents		3,026	2,898
Net decrease in cash and cash equivalents		(21,363)	(1,077)
Cash and cash equivalents at the beginning of the period		250,711	219,263
<b><i>Cash and cash equivalents at the end of the period</i></b>		<b>¥229,348</b>	<b>¥218,186</b>

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”.

## 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, 2023, 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, 2023.



### **3. Material Accounting Policies**

The material 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, 2023.

### **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 three months ended June 30, 2023.

**(1) Operating segment information**

For the three months ended June 30, 2022

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥50,643	¥2,588	¥7,695	¥10,979	¥71,905	-	¥71,905
Intersegment	157	342	-	4	503	¥(503)	-
Total	50,800	2,930	7,695	10,983	72,408	(503)	71,905
Business profit	¥13,361	¥106	¥823	¥448	¥14,738	¥(639)	14,099
Other income and other expenses, net	-	-	-	-	-	-	(59)
Operating profit	-	-	-	-	-	-	14,040
Finance income and finance costs, net	-	-	-	-	-	-	1,661
Profit from investments accounted for using the equity method	-	-	-	-	-	-	151
Profit before income taxes	-	-	-	-	-	-	¥15,852

For the three months ended June 30, 2023

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥47,944	¥3,042	¥9,961	¥11,686	¥72,633	-	¥72,633
Intersegment	186	362	36	11	595	¥(595)	-
Total	48,130	3,404	9,997	11,697	73,228	(595)	72,633
Business profit	¥15,101	¥193	¥1,971	¥723	¥17,988	¥(827)	17,161
Other income and other expenses, net	-	-	-	-	-	-	(10)
Operating profit	-	-	-	-	-	-	17,151
Finance income and finance costs, net	-	-	-	-	-	-	1,110
Profit from investments accounted for using the equity method	-	-	-	-	-	-	133
Profit before income taxes	-	-	-	-	-	-	¥18,394

## (2) Geographic information

Revenue from external customers for the three months ended June 30, 2022 and 2023

	Millions of Yen	
	Three months ended June 30, 2022	Three months ended June 30, 2023
<b>Revenue:</b>		
Japan	¥48,774	¥49,468
United States	14,467	14,139
Europe	4,761	4,520
Asia/Oceania	3,903	4,506
Consolidated	¥71,905	¥72,633

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, 2023 and June 30, 2023.

	Millions of Yen	
	As of March 31, 2023	As of June 30, 2023
Contract liabilities	¥9,489	¥11,341
Others	9,536	12,336
Total	¥19,025	¥23,677

## 6. Bonds

For the three months ended June 30, 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 ¥2,960 million. There was neither issuance nor redemption of bonds.

For the three months ended June 30, 2023, there were neither issuance, redemption nor conversion of bonds.

## 7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Three months ended June 30, 2022	Three months ended June 30, 2023
<b><i>Exchange differences on translation of foreign operations</i></b>		
Balance at the beginning of the period	¥6,939	¥11,367
Net change during the period	5,297	5,587
Transfer to retained earnings	-	-
Balance at the end of the period	¥12,236	¥16,954
<b><i>Net Change in fair value of equity financial assets measured at fair value through other comprehensive income</i></b>		
Balance at the beginning of the period	¥(238)	¥513
Net change during the period	(5)	130
Transfer to retained earnings	-	-
Balance at the end of the period	¥(243)	¥643

## 8. Dividends

The Company paid dividends 87.00 yen per share and the total amount of ¥11,621 million for the three months ended June 30, 2022.

The Company paid dividends 62.00 yen per share and the total amount of ¥8,405 million for the three months ended June 30, 2023.

## 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 three months ended June 30, 2022

	Millions of Yen				
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥35,293	¥8,175	¥4,761	¥2,414	¥50,643
Amusement	2,502	-	-	86	2,588
Gaming & Systems	-	6,292	-	1,403	7,695
Sports	10,979	-	-	-	10,979
Revenue from external customers	¥48,774	¥14,467	¥4,761	¥3,903	¥71,905
Revenue recognized from contracts with customers	¥48,774	13,185	¥4,761	¥3,903	70,623
Revenue recognized from other sources	-	¥1,282	-	-	¥1,282

Note) Revenue recognized from other sources consists of revenue in accordance with IFRS 16, "Leases."

For the three months ended June 30, 2023

	Millions of Yen				
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥34,740	¥6,608	¥4,520	¥2,076	¥47,944
Amusement	3,042	-	-	-	3,042
Gaming & Systems	-	7,531	-	2,430	9,961
Sports	11,686	-	-	-	11,686
Revenue from external customers	¥49,468	¥14,139	¥4,520	¥4,506	¥72,633
Revenue recognized from contracts with customers	¥49,468	12,487	¥4,520	¥4,506	70,981
Revenue recognized from other sources	-	¥1,652	-	-	¥1,652

Note) Revenue recognized from other sources consists of revenue in accordance with IFRS 16, "Leases."

## 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, 2023 and June 30, 2023.

	As of March 31, 2023		As of June 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
Financial assets measured at amortized cost				
Loans receivable	¥21	¥21	¥27	¥27
Lease deposits	15,953	16,766	17,187	18,003
Other financial assets	1,184	1,104	1,286	1,188
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	1,738	1,738	1,930	1,930
Other investments (Non-securities)	72	72	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	80	80	80	80
<b>Financial liabilities:</b>				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥59,819	¥57,273	¥59,830	¥57,846
Other financial liabilities	2,160	2,160	2,099	2,099

**(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, 2023 and June 30, 2023.

	Millions of Yen			
<b>Balance at March 31, 2023</b>	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	¥1,166	-	¥572	¥1,738
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	80	80
Total	¥1,166	-	¥724	¥1,890

	Millions of Yen			
<b>Balance at June 30, 2023</b>	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	¥1,358	-	¥572	¥1,930
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	80	80
Total	¥1,358	-	¥724	¥2,082

Other investments, which are classified as Level 3, have no significant changes for the three months ended June 30, 2023.

## 11. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended June 30, 2022 and 2023 is as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit attributable to owners of the parent	11,432 million yen	13,375 million yen
Adjustments for profit used in the calculation of diluted earnings per share	6 million yen	- million yen
Profit used in the calculation of diluted earnings per share	11,438 million yen	13,375 million yen
Basic weighted average ordinary shares outstanding	133,844,714 shares	135,558,690 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	1,714,134 shares	- shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,558,848 shares	135,558,690 shares
Earnings per share attributable to owners of the parent for the period		
Basic	85.41 yen	98.67 yen
Diluted	84.38 yen	98.67 yen

Note) Diluted earnings per share attributable to owners of the parent for the three months ended June 30, 2023 is presented as same amount as basic earnings per share attributable to owners of the parent for the period, since there are no potentially dilutive ordinary shares for the relevant period.

## 12. Subsequent Events

There have been no events after June 30, 2023 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

## 13. Approval of Quarterly Condensed Consolidated Financial Statements

The quarterly condensed consolidated financial statements were approved by Representative Director, President, Kimihiko Higashio, on August 9, 2023.