

KONAMI HOLDINGS CORPORATION

Quarterly Condensed Consolidated Financial Statements
for the Six Months Ended September 30, 2020

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the six-month period ended September 30, 2020 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI HOLDINGS CORPORATION filed its Quarterly Securities Report for the six-month period ended September 30, 2020 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 12, 2020. The following is the outline of the Quarterly Securities Report.

I. Corporate Information

A. Corporate Overview

1. Selected Financial Data
2. Overview of Business

B. Business

1. Risks Relating to Our Business
2. Results of Operations and Financial position
3. Significant Contracts

C. Information on Reporting Company

1. Share Information
 - a. Total Number of Shares
 - b. Stock Acquisition Rights
 - c. Convertible Bonds Exercise
 - d. Common Stock and Additional Paid-in Capital
 - e. Major Shareholders
 - f. Voting Rights
2. Directors and Corporate Auditors

D. Financial Statements

1. Quarterly Condensed Consolidated Financial Statements
2. Others

II. Information on Guarantor

1. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2020	As of September 30, 2020
Assets			
Current assets			
Cash and cash equivalents		¥131,432	¥175,207
Trade and other receivables		29,894	28,282
Inventories		10,000	10,588
Income tax receivables		1,924	3,555
Other current assets	10	14,493	13,938
Total current assets		187,743	231,570
Non-current assets			
Property, plant and equipment, net		116,631	115,296
Goodwill and intangible assets		34,423	38,190
Investment property		32,484	32,458
Investments accounted for using the equity method		3,128	2,675
Other investments	10	1,554	1,582
Other financial assets	10	17,229	16,563
Deferred tax assets		23,735	24,450
Other non-current assets		2,207	2,102
Total non-current assets		231,391	233,316
Total assets		419,134	464,886
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	6,10	28,265	5,290
Other financial liabilities	10	12,187	10,431
Trade and other payables		31,264	27,573
Income tax payables		2,997	3,783
Other current liabilities	5	22,053	24,013
Total current liabilities		96,766	71,090
Non-current liabilities			
Bonds and borrowings	6,10	9,855	69,591
Other financial liabilities	10	34,553	33,491
Provisions		6,674	6,680
Deferred tax liabilities		886	1,102
Other non-current liabilities		1,457	1,472
Total non-current liabilities		53,425	112,336
Total liabilities		150,191	183,426
Equity			
Share capital		47,399	47,399
Share premium		74,399	74,399
Treasury shares		(27,836)	(27,836)
Other components of equity	7	(89)	(427)
Retained earnings		174,268	187,126
Total equity attributable to owners of the parent		268,141	280,661
Non-controlling interests		802	799
Total equity		268,943	281,460
Total liabilities and equity		¥419,134	¥464,886

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

Six months ended September 30, 2019 and 2020

		Millions of Yen	
	Note	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue			
Product sales revenue		¥30,839	¥27,008
Service and other revenue		90,250	89,064
Total revenue	4,9	121,089	116,072
Cost of revenue			
Cost of product sales revenue		(16,400)	(13,965)
Cost of service and other revenue		(57,216)	(54,707)
Total cost of revenue		(73,616)	(68,672)
Gross profit		47,473	47,400
Selling, general and administrative expenses		(26,659)	(21,673)
Other income and other expenses, net	11	108	(4,359)
Operating profit		20,922	21,368
Finance income		176	65
Finance costs		(628)	(821)
Loss from investments accounted for using the equity method		(66)	(397)
Profit before income taxes		20,404	20,215
Income taxes		(5,204)	(6,427)
Profit for the period		15,200	13,788
Profit attributable to:			
Owners of the parent		15,201	13,791
Non-controlling interests		¥(1)	¥(3)

		Yen	
	Note	Six months ended September 30, 2019	Six months ended September 30, 2020
Earnings per share (attributable to owners of the parent)			
Basic	12	¥112.41	¥103.52
Diluted	12	¥110.67	¥101.90

Three months ended September 30, 2019 and 2020

Millions of Yen			
	Note	Three months ended September 30, 2019	Three months ended September 30, 2020
Revenue			
Product sales revenue		¥18,384	¥14,527
Service and other revenue		46,246	48,658
Total revenue	4	64,630	63,185
Cost of revenue			
Cost of product sales revenue		(10,071)	(7,562)
Cost of service and other revenue		(29,851)	(31,057)
Total cost of revenue		(39,922)	(38,619)
Gross profit		24,708	24,566
Selling, general and administrative expenses		(13,658)	(11,190)
Other income and other expenses, net	11	(143)	1,220
Operating profit		10,907	14,596
Finance income		92	19
Finance costs		(263)	(481)
Loss from investments accounted for using the equity method		(40)	(203)
Profit before income taxes		10,696	13,931
Income taxes		(2,777)	(4,337)
Profit for the period		7,919	9,594
Profit attributable to:			
Owners of the parent		7,921	9,598
Non-controlling interests		¥(2)	¥(4)

Yen			
	Note	Three months ended September 30, 2019	Three months ended September 30, 2020
Earnings per share (attributable to owners of the parent)			
Basic	12	¥58.58	¥72.04
Diluted	12	¥57.67	¥70.89

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

Quarterly Condensed Consolidated Statement of Comprehensive Income
Six months ended September 30, 2019 and 2020

		Millions of Yen	
	Note	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit for the period		¥15,200	¥13,788
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		(13)	18
Share of other comprehensive income of entity accounted for using the equity method		(0)	-
Total items that will not be reclassified to profit or loss		(13)	18
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(1,516)	(356)
Total items that may be reclassified to profit or loss		(1,516)	(356)
Total other comprehensive income		(1,529)	(338)
Total comprehensive income for the period		13,671	13,450
Comprehensive income attributable to:			
Owners of the parent		13,672	13,453
Non-controlling interests		¥(1)	¥(3)

Three months ended September 30, 2019 and 2020

		Millions of Yen	
	Note	Three months ended September 30, 2019	Three months ended September 30, 2020
Profit for the period		¥7,919	¥9,594
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		(2)	11
Share of other comprehensive income of entity accounted for using the equity method		0	-
Total items that will not be reclassified to profit or loss		(2)	11
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(213)	(459)
Total items that may be reclassified to profit or loss		(213)	(459)
Total other comprehensive income		(215)	(448)
Total comprehensive income for the period		7,704	9,146
Comprehensive income attributable to:			
Owners of the parent		7,706	9,150
Non-controlling interests		¥(2)	¥(4)

(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, 2019		¥47,399	¥74,426	¥(21,325)	¥1,583	¥173,544	¥275,627	¥777	¥276,404
Changes in accounting policies						(5,180)	(5,180)		(5,180)
Beginning balance after adjusting		47,399	74,426	(21,325)	1,583	168,364	270,447	777	271,224
Profit for the period						15,201	15,201	(1)	15,200
Other comprehensive income					(1,529)		(1,529)	0	(1,529)
Total comprehensive income for the period		-	-	-	(1,529)	15,201	13,672	(1)	13,671
Purchase of treasury shares				(1)			(1)		(1)
Dividends						(8,858)	(8,858)		(8,858)
Changes in ownership interests in subsidiaries			(27)				(27)	20	(7)
Transfer from other components of equity to retained earnings					(9)	9	-		-
Total transactions with the owners		-	(27)	(1)	(9)	(8,849)	(8,886)	20	(8,866)
Balance at September 30, 2019		¥47,399	¥74,399	¥(21,326)	¥45	¥174,716	¥275,233	¥796	¥276,029

Millions of Yen									
	Note	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2020		¥47,399	¥74,399	¥(27,836)	¥(89)	¥174,268	¥268,141	¥802	¥268,943
Profit for the period						13,791	13,791	(3)	13,788
Other comprehensive income					(338)		(338)		(338)
Total comprehensive income for the period		-	-	-	(338)	13,791	13,453	(3)	13,450
Purchase of treasury shares				(0)			(0)		(0)
Disposal of treasury shares			0	0			0		0
Dividends						(933)	(933)		(933)
Total transactions with the owners		-	0	(0)	-	(933)	(933)	-	(933)
Balance at September 30, 2020		¥47,399	¥74,399	¥(27,836)	¥(427)	¥187,126	¥280,661	¥799	¥281,460

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

(4) Quarterly Condensed Consolidated Statement of Cash Flows

Millions of Yen

	Note	Six months ended September 30, 2019	Six months ended September 30, 2020
Operating activities			
Profit for the period		¥15,200	¥13,788
Depreciation and amortization		12,593	9,407
Impairment losses		134	34
Interest and dividends income		(170)	(45)
Interest expense		463	444
Loss on sale or disposal of property, plant and equipment		12	30
Loss from investments accounted for using the equity method		66	397
Income taxes		5,204	6,427
Decrease in trade and other receivables		415	1,349
Increase in inventories		(4,259)	(503)
Decrease in trade and other payables		(6,442)	(3,580)
Increase in prepaid expense		(2,017)	(1,767)
Increase in contract liabilities		3,828	2,965
Other, net		(552)	2,102
Interest and dividends received		187	59
Interest paid		(457)	(370)
Income taxes paid		(7,540)	(7,683)
Net cash provided by operating activities		16,665	23,054
Investing activities			
Capital expenditures		(14,621)	(9,963)
Payments for lease deposits		(643)	(220)
Proceeds from refunds of lease deposits		799	502
Proceeds from withdrawal of time deposits		-	586
Other, net		(375)	2
Net cash used in investing activities		(14,840)	(9,093)
Financing activities			
Proceeds from short-term (more than 3 months) borrowings		5,429	5,364
Repayments of short-term (more than 3 months) borrowings		(5,429)	(28,216)
Proceeds from issuance of bonds	6	-	60,000
Redemption of bonds	6	(5,000)	-
Principal payments of lease liabilities		(6,797)	(6,021)
Dividends paid	8	(8,848)	(935)
Other, net		(8)	(300)
Net cash (used in) provided by financing activities		(20,653)	29,892
Effect of exchange rate changes on cash and cash equivalents		(1,029)	(78)
Net (decrease) increase in cash and cash equivalents		(19,857)	43,775
Cash and cash equivalents at the beginning of the period		159,242	131,432
Cash and cash equivalents at the end of the period		¥139,385	¥175,207

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

Notes to Quarterly Condensed Consolidated Financial Statements

1. Reporting Entity

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

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

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

2. Basis of Preparation

(1) Compliance with IFRS

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

Therefore, the Company prepares such quarterly condensed consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting”. Since the quarterly condensed consolidated financial statements do not contain all the information required in the consolidated financial statements for the fiscal year ended March 31, 2020, 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, 2020 and is mainly as follows:

(The impact of COVID-19)

In regard to estimating value in use for impairment loss of property, plant and equipment, we assume that the coronavirus outbreak will continue to have an effect on our business activities over the fiscal year ending March 31, 2021, mainly in the first quarter of the fiscal year ending March 31, 2021. However, the assumption could be revised, depending on when the outbreak settles down.

Given the uncertainty around the coronavirus outbreak, we are not able to reasonably calculate the impact of changes in assumption of estimates.

3. Significant Accounting Policies

The significant accounting policies adopted for these quarterly condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2020 with the exception of the item described hereunder.

Standards	Title	Overview of new/revised Standards
IFRS 16	Leases	Covid-19-Related Rent Concessions Amendment

Konami Group has applied “Covid-19-Related Rent Concessions Amendment to IFRS 16” (issued in May 2020) early from the first quarter of the fiscal year ending March 31, 2021. This amendment allows a lessee of a lease subject to a rent concession occurring as a direct consequence of the COVID-19 pandemic to elect to apply the practical expedient that the lessee may not assess whether a rent concession that meets certain prescribed conditions is a lease modification as stipulated in IFRS 16.

Konami Group has elected to apply this practical expedient for rent concessions that meet certain prescribed conditions, however, the impact on profit before income taxes for the six months ended September 30, 2020 was immaterial.

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.

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. Corporate expenses primarily consist of administrative expenses not directly associated with specific segments.

Intersegment eliminations primarily consist of 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 six months ended September 30, 2020.

(1) Operating segment information

Revenue for the six months ended September 30, 2019 and 2020

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue:		
Digital Entertainment –		
External customers	¥66,680	¥87,947
Intersegment	302	325
Total	¥66,982	¥88,272
Amusement –		
External customers	¥8,639	¥6,007
Intersegment	370	580
Total	¥9,009	¥6,587
Gaming & Systems –		
External customers	¥14,865	¥7,150
Intersegment	-	-
Total	¥14,865	¥7,150
Sports –		
External customers	¥30,905	¥14,968
Intersegment	156	154
Total	¥31,061	¥15,122
Intersegment eliminations	¥(828)	¥(1,059)
Consolidated	¥121,089	¥116,072

Revenue for the three months ended September 30, 2019 and 2020

	Millions of Yen	
	Three months ended September 30, 2019	Three months ended September 30, 2020
Revenue:		
Digital Entertainment –		
External customers	¥35,323	¥45,259
Intersegment	155	173
Total	¥35,478	¥45,432
Amusement –		
External customers	¥5,511	¥3,446
Intersegment	237	267
Total	¥5,748	¥3,713
Gaming & Systems –		
External customers	¥8,040	¥4,173
Intersegment	-	-
Total	¥8,040	¥4,173
Sports –		
External customers	¥15,756	¥10,307
Intersegment	77	76
Total	¥15,833	¥10,383
Intersegment eliminations	¥(469)	¥(516)
Consolidated	¥64,630	¥63,185

Segment profit (loss) for the six months ended September 30, 2019 and 2020

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Segment profit (loss):		
Digital Entertainment	¥18,732	¥31,048
Amusement	1,560	297
Gaming & Systems	1,652	(1,236)
Sports	1,474	(2,993)
Total segment profit	23,418	27,116
Corporate expenses and eliminations	(2,604)	(1,389)
Other income and other expenses, net	108	(4,359)
Finance income and finance costs, net	(452)	(756)
Loss from investments accounted for using the equity method	(66)	(397)
Profit before income taxes	¥20,404	¥20,215

Segment profit (loss) for the three months ended September 30, 2019 and 2020

	Millions of Yen	
	Three months ended September 30, 2019	Three months ended September 30, 2020
Segment profit (loss):		
Digital Entertainment	¥9,036	¥15,739
Amusement	1,021	537
Gaming & Systems	1,493	(311)
Sports	922	(1,892)
Total segment profit	12,472	14,073
Corporate expenses and eliminations	(1,422)	(697)
Other income and other expenses, net	(143)	1,220
Finance income and finance costs, net	(171)	(462)
Loss from investments accounted for using the equity method	(40)	(203)
Profit before income taxes	¥10,696	¥13,931

Corporate expenses primarily consist of personnel costs, advertising expenses and rental expenses, which substantially relate to our administrative department.

(2) Geographic information

Revenue from external customers for the six months ended September 30, 2019 and 2020

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue:		
Japan	¥94,229	¥93,476
United States	18,040	12,913
Europe	4,866	6,538
Asia/Oceania	3,954	3,145
Consolidated	¥121,089	¥116,072

Revenue from external customers for the three months ended September 30, 2019 and 2020

	Millions of Yen	
	Three months ended September 30, 2019	Three months ended September 30, 2020
Revenue:		
Japan	¥49,291	¥50,830
United States	10,374	7,444
Europe	2,804	3,314
Asia/Oceania	2,161	1,597
Consolidated	¥64,630	¥63,185

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, 2020 and September 30, 2020.

	Millions of Yen	
	As of March 31, 2020	As of September 30, 2020
Contract liabilities	¥10,609	¥13,570
Others	11,444	10,443
Total	¥22,053	¥24,013

6. Bonds

For the six months ended September 30, 2019, there was a redemption of unsecured bonds of ¥5,000 million (interest 0.66%, due September 2019). There was no issuance of bonds.

For the six months ended September 30, 2020, there was an issuance of unsecured bonds of ¥20,000 million (interest 0.22%, due July 2025), ¥20,000 million (interest 0.38%, due July 2027) and ¥20,000 million (interest 0.48%, due July 2030). There was no redemption of bonds.

7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
<i>Exchange differences on translation of foreign operations</i>		
Balance at the beginning of the period	¥1,473	¥(162)
Net change during the period	(1,516)	(356)
Transfer to retained earnings	-	-
Balance at the end of the period	¥(43)	¥(518)
<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	¥110	¥73
Net change during the period	(13)	18
Transfer to retained earnings	(9)	-
Balance at the end of the period	¥88	¥91
<i>Share of other comprehensive income of entity accounted for using the equity method</i>		
Balance at the beginning of the period	¥(0)	-
Net change during the period	(0)	-
Transfer to retained earnings	-	-
Balance at the end of the period	¥(0)	-

8. Dividends

The Company paid dividends 65.50 yen per share and the total amount of ¥8,858 million for the six months ended September 30, 2019. The cash dividend per share included a commemorative dividend for the 50th anniversary of the Company's founding of 25.00 yen.

The Company paid dividends 7.00 yen per share and the total amount of ¥933 million for the six months ended September 30, 2020.

The board of directors' meeting held on November 5, 2020 resolved a cash dividend of 22.50 yen per share and the total amount of ¥2,997 million will be paid for shareholders on record as of September 30, 2020.

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 six months ended September 30, 2019

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥54,854	¥5,730	¥4,866	¥1,230	¥66,680
Amusement	8,470	-	-	169	8,639
Gaming & Systems	-	12,310	-	2,555	14,865
Sports	30,905	-	-	-	30,905
Total revenue	¥94,229	¥18,040	¥4,866	¥3,954	¥121,089

For the six months ended September 30, 2020

Millions of Yen					
	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥72,549	¥6,978	¥6,538	¥1,882	¥87,947
Amusement	5,959	-	-	48	6,007
Gaming & Systems	-	5,935	-	1,215	7,150
Sports	14,968	-	-	-	14,968
Total revenue	¥93,476	¥12,913	¥6,538	¥3,145	¥116,072

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, 2020 and September 30, 2020.

	As of March 31, 2020		As of September 30, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at amortized cost				
Loans receivable	¥244	¥282	¥223	¥259
Lease deposit	22,581	22,845	22,588	22,783
Other financial assets	1,159	1,148	943	938
Equity financial assets measured at fair value through other comprehensive income				
Securities	1,462	1,462	1,490	1,490
Other investments	72	72	72	72
Financial assets measured at fair value through profit or loss				
Other financial assets	-	-	2	2
Other investments	20	20	20	20
Financial liabilities:				
Financial liabilities measured at amortized cost				
Bonds and borrowings	¥38,120	¥38,008	¥74,881	¥72,609
Other financial liabilities	3,037	3,037	3,010	3,010

(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, 2020 and September 30, 2020.

	Millions of Yen			
Balance at March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Securities	¥494	-	¥968	¥1,462
Other investments	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments	-	-	20	20
Total	¥494	-	¥1,060	¥1,554

	Millions of Yen			
Balance at September 30, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity financial assets measured at fair value through other comprehensive income				
Securities	¥522	-	¥968	¥1,490
Other investments	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other financial assets	-	¥2	-	2
Other investments	-	-	20	20
Total	¥522	¥2	¥1,060	¥1,584

Securities and other investments, which are classified as Level 3, have no significant changes for the six months ended September 30, 2020.

11. Other Income and Other Expenses

During the three months ended June 30, 2020, COVID-19 related loss of ¥5,723 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 coronavirus outbreak.

During the three months ended September 30, 2020, we received employment adjustment subsidies from the government, which is a leave allowance related to COVID-19. In accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance,” the subsidies of ¥1,075 million 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, 2020.

12. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the six months ended September 30, 2019 and 2020 is as follows:

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit attributable to owners of the parent	15,201 million yen	13,791 million yen
Adjustments for profit used in the calculation of diluted earnings per share	18 million yen	18 million yen
Profit used in the calculation of diluted earnings per share	15,219 million yen	13,809 million yen
Basic weighted average ordinary shares outstanding	135,232,923 shares	133,214,445 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,285,662 shares	2,299,114 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	137,518,585 shares	135,513,559 shares
Earnings per share attributable to owners of the parent for the period		
Basic	112.41 yen	103.52 yen
Diluted	110.67 yen	101.90 yen

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended September 30, 2019 and 2020 is as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2020
Profit attributable to owners of the parent	7,921 million yen	9,598 million yen
Adjustments for profit used in the calculation of diluted earnings per share	9 million yen	9 million yen
Profit used in the calculation of diluted earnings per share	7,930 million yen	9,607 million yen
Basic weighted average ordinary shares outstanding	135,232,836 shares	133,214,399 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	2,285,662 shares	2,299,114 shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	137,518,498 shares	135,513,513 shares
Earnings per share attributable to owners of the parent for the period		
Basic	58.58 yen	72.04 yen
Diluted	57.67 yen	70.89 yen

13. Subsequent Events

There have been no events after September 30, 2020 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 November 10, 2020.

2. Business Review

(1) Business Overview

For the six months ended September 30, 2020, due to global restrictions on business activities triggered by the coronavirus outbreak, it is expected that a world-wide economic recovery will take a significant amount of time in the face of difficulties to execute measures to avoid infection and restart social and economic activities at the same time.

Under such circumstances, in terms of the business results of Konami Group for the six months ended September 30, 2020, total revenue decreased due to temporal closure of amusement facilities worldwide, casino facilities overseas and our sports clubs in Japan by the coronavirus outbreak as well as the loss, mainly fixed costs incurred during the closure period, was recognized. Meanwhile, total segment profit and operating profit increased due to strong performance in the Digital Entertainment business.

In terms of the consolidated results for the six months ended September 30, 2020, total revenue amounted to ¥116,072 million (a year-on-year decrease of 4.1%), operating profit was ¥21,368 million (a year-on-year increase of 2.1%), profit before income taxes was ¥20,215 million (a year-on-year decrease of 0.9%), and profit attributable to owners of the parent was ¥13,791 million (a year-on-year decrease of 9.3%).

(2) Performance by Business Segment

Summary of total revenue by business segment:

	Millions of Yen, except percentages		
	Six months ended September 30, 2019	Six months ended September 30, 2020	% change
Total revenue:			
Digital Entertainment	¥66,982	¥88,272	31.8
Amusement	9,009	6,587	(26.9)
Gaming & Systems	14,865	7,150	(51.9)
Sports	31,061	15,122	(51.3)
Intersegment eliminations	(828)	(1,059)	-
Total revenue	¥121,089	¥116,072	(4.1)

Digital Entertainment

In the entertainment market, future development of game contents is expected through the functional enhancement of various devices, including mobile devices and video game consoles, and the standardization of next generation communication systems. In conjunction with the changing times, the preference for enriching daily life through full and abundant experiences in personal spending has been strengthened. In the game industry, new experiences through game content are being offered in various ways, including eSports, which is regarded as a form of sports competition and is becoming well-known to a wide range of users and attracting more and more fans.

Under such circumstances, in the global market, as for mobile games in the Digital Entertainment segment, *Yu-Gi-Oh! DUEL LINKS* has received favorable reviews and led our revenue by adding the new world, *Yu-Gi-Oh! ZEXAL* and *eFootball Winning Eleven 2020* (Known overseas as *eFootball PES 2020*) has continued to perform strongly. Furthermore, *SUPER BOMBERMAN R ONLINE*, the first title on the gaming platform of Stadia™ was released. In the domestic market, for the promotion of *PROFESSIONAL BASEBALL SPIRITS A (Ace)*, players were selected by MLB pitcher Yu Darvish, as well as former Japanese baseball league players, attracting the attention of many users.

As for card games, we continued to expand the *Yu-Gi-Oh! TRADING CARD GAME* in the global market and received favorable reviews even in the coronavirus crisis, as well as to generate interest for *Yu-Gi-Oh! RUSH DUEL* among younger users (mainly elementary school students).

As for computer and video games, *eBASEBALL PAWAFURU PUROYAKYU 2020*, selected as the competition title in the “eBASEBALL Pro League” 2020 season, was released and cumulative production shipments had a good start to reach over five hundred thousand. The latest title in the *Winning Eleven* series, *eFootball Winning Eleven 2021 SEASON UPDATE* (Known overseas as *eFootball PES 2021 SEASON UPDATE*), was released. In addition, we made an announcement at Tokyo Game

Show 2020 Online that a game based on *EDENS ZERO*, a popular space fantasy comic, is under development.

As part of our continued active efforts in eSports, with taking its advantage, we continued to provide various contents via online for fun of the customers under the circumstance that our activities are limited by the coronavirus outbreak. In regard to “eBASEBALL Pro League,” which is organized along with the Nippon Professional Baseball (NPB), the tryout of 2020 season began and “eBASEBALL Pro League eAll Star 2020” was held for the first time. As for soccer content, the final round of “eFootball.Open,” the eSports official tournaments in the *Winning Eleven* series, was held. In the *Yu-Gi-Oh!* series, the final round of the “KC Grand Tournament,” a large-scale online tournament of the *Yu-Gi-Oh! DUEL LINKS* in which more than one million players joined, was held and decided the best player in the world.

In terms of financial performance, total revenue for the six months ended September 30, 2020 in this segment amounted to ¥88,272 million (a year-on-year increase of 31.8%) and segment profit for the six months ended September 30, 2020 amounted to ¥31,048 million (a year-on-year increase of 65.8%).

Amusement

In the amusement industry market, the coronavirus outbreak around the world had an effect on sales of amusement machines and e-amusement participation (revenue share business) due to temporal closure of amusement facilities. The facilities have resumed operations since state-of-emergency declaration from government and business suspension request from local governments were lifted and the number of visitors recover in phases in Japan, however, as for the global market, recovery will take more time.

Under such circumstances, in regard to our video games and medal games, we held various online events to stimulate market recovery and *SENGOKU COLLECTION 4*, the latest title of the *SENGOKU COLLECTION* series, was released. The business loss had incurred for the three months ended June 30, 2020 due to the severe impact of the coronavirus outbreak, nevertheless, these efforts offset the loss and returned to become profitable for the six months ended September 30, 2020.

In terms of financial performance, total revenue for the six months ended September 30, 2020 in this segment amounted to ¥6,587 million (a year-on-year decrease of 26.9%) and segment loss for the six months ended September 30, 2020 amounted to ¥297 million (a year-on-year decrease of 81.0%).

Gaming & Systems

In the gaming market, various measures were taken by governments of each nation to mitigate the coronavirus outbreak from the beginning of this year. As a result, casino facilities were closed temporarily from the middle of March, except in some areas, and the gaming business was forced to suspend virtually all its operations. Although the business resumed by stages from the end of May, this severe business environment remains due to certain business restrictions and continued travel restrictions. However, the market is expected to recover gradually.

Under these circumstances, we launched two new slot machines, the *DIMENSION 27™* and the *DIMENSION 49J™* featuring a “J” curve display. In addition, we recognized revenue for the sale of slot machines, including our core *KX 43™* upright cabinet and *Concerto™* series, as well as revenue from participation agreements (in which profits are shared with casino operators). The *SYNKROS®* casino management system was introduced into major casino operators in the North American and Australian markets, and new contracts were also executed.

In terms of financial performance, total revenue for the six months ended September 30, 2020 in this segment amounted to ¥7,150 million (a year-on-year decrease of 51.9%) and segment loss for the six months ended September 30, 2020 amounted to ¥1,236 million (segment profit for the six months ended June 30, 2019 amounted to ¥1,652 million).

Sports

Through the change of life style, such as voluntary stay-at-home to avoid the coronavirus outbreak and encouraged work-from-home, concerns about health are growing due to lack of exercise. In connection with the sports industry, improved hygiene managements and new services for health have been widely provided so that customers can exercise safely.

Under such circumstances, state-of-emergency declaration from government and business suspension request from local governments forced us to take measures to avoid the coronavirus outbreak, such as temporal closure of both directly-managed and outsourced facilities and shortening business hours. As a result, total revenue from this business decreased. Since the declaration and the request have been lifted, in addition to complying with the guidelines determined by general incorporated association FIA (Fitness Industry Association of Japan), we are taking measures to prevent the coronavirus outbreak in line with our company standards, such as daily ozone sanitization, which has been proven to inactivate COVID-19, the introduction of an online fitness reservation system, and online announcements regarding

crowding situations at our facilities to avoid outbreaks and the “Three Cs” with the highest priority of ensuring safety and security of customers and employees.

As for the operation of outsourced facilities, the facilities are forced to be closed temporarily due to requests mainly from local governments and corporate companies entering into contracts. Meanwhile, we started the operation of new outsourced facilities such as the Kawasaki Shimin Plaza (Kawasaki City, Kanagawa Prefecture), Sakai City Ebara Oike Gymnasium (Sakai City, Osaka Prefecture), and Oita City Comprehensive Gymnasium (Oita City, Oita Prefecture) using our know-how accumulated through sports club operation over many years.

We continue to enhance our products and services, including delivering original Konami Sports Club exercise videos for free, providing a variety of home fitness equipment via official online shop. We are also focusing on the need to address concerns about exercising at our facilities under the current situation and increasing opportunities to exercise at home.

In terms of financial performance, total revenue for the six months ended September 30, 2020 in this segment amounted to ¥15,122 million (a year-on-year decrease of 51.3%) and segment loss for the six months ended September 30, 2020 amounted to ¥2,993 million (segment profit for the six months ended June 30, 2019 amounted to ¥1,474 million).

3. Risk Factors

For the six-month period ended September 30, 2020, there is no significant change in risk factors which were described on the Annual Report for the year ended March 31, 2020.

Responsibility Statement

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

Kimihiko Higashio, Representative Director, President, confirms that:

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

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