

# **KONAMI GROUP CORPORATION**

Quarterly Condensed Consolidated Financial Statements  
for the Nine Months Ended December 31, 2023

English translation and a part of summary of the Quarterly Securities Report (Shihanki Hokokusho) for the nine-month period ended December 31, 2023 pursuant to the Financial Instruments and Exchange Law of Japan

KONAMI GROUP CORPORATION filed its Quarterly Securities Report for the nine-month period ended December 31, 2023 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 13, 2024. 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 December 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		¥219,263	¥238,283
Trade and other receivables		39,276	43,730
Inventories		12,705	16,073
Income tax receivables		9,486	866
Other current assets	10	9,311	11,645
<b>Total current assets</b>		<b>290,041</b>	<b>310,597</b>
<b>Non-current assets</b>			
Property, plant and equipment, net		155,788	153,819
Goodwill and intangible assets		49,553	60,037
Investments accounted for using the equity method		3,239	3,552
Other investments	10	1,890	1,579
Other financial assets	10	15,001	15,360
Deferred tax assets		30,220	32,100
Other non-current assets		1,491	1,528
<b>Total non-current assets</b>		<b>257,182</b>	<b>267,975</b>
<b>Total assets</b>		<b>547,223</b>	<b>578,572</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other financial liabilities	10	8,751	8,772
Trade and other payables		37,558	37,825
Income tax payables		9,760	8,047
Other current liabilities	5	19,025	22,857
<b>Total current liabilities</b>		<b>75,094</b>	<b>77,501</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	6,10	59,819	59,851
Other financial liabilities	10	23,050	20,625
Provisions		10,031	9,905
Deferred tax liabilities		1,141	1,312
Other non-current liabilities		1,809	1,808
<b>Total non-current liabilities</b>		<b>95,850</b>	<b>93,501</b>
<b>Total liabilities</b>		<b>170,944</b>	<b>171,002</b>
<b>Equity</b>			
Share capital		47,399	47,399
Share premium		78,144	78,144
Treasury shares		(21,594)	(21,598)
Other components of equity	7	11,880	15,489
Retained earnings		260,435	288,121
<b>Total equity attributable to owners of the parent</b>		<b>376,264</b>	<b>407,555</b>
Non-controlling interests		15	15
<b>Total equity</b>		<b>376,279</b>	<b>407,570</b>
<b>Total liabilities and equity</b>		<b>¥547,223</b>	<b>¥578,572</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 Nine months ended December 31, 2022 and 2023

Millions of Yen			
	Note	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue			
Product sales revenue		¥77,401	¥80,800
Service and other revenue		149,477	172,296
Total revenue	4,9	226,878	253,096
Cost of revenue			
Cost of product sales revenue		(38,773)	(37,861)
Cost of service and other revenue		(100,578)	(102,871)
Total cost of revenue		(139,351)	(140,732)
Gross profit		87,527	112,364
Selling, general and administrative expenses		(46,465)	(49,543)
Other income and other expenses, net	11	(3,539)	(3,213)
Operating profit		37,523	59,608
Finance income		1,324	2,012
Finance costs		(572)	(489)
Profit from investments accounted for using the equity method		99	370
Profit before income taxes		38,374	61,501
Income taxes		(10,803)	(17,006)
Profit for the period		27,571	44,495
Profit attributable to:			
Owners of the parent		27,571	44,495
Non-controlling interests		¥0	¥0

Yen			
	Note	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Earnings per share (attributable to owners of the parent)			
Basic	12	¥204.82	¥328.23
Diluted	12	¥203.46	¥328.23

### Three months ended December 31, 2022 and 2023

Millions of Yen

	Note	Three months ended December 31, 2022	Three months ended December 31, 2023
Revenue			
Product sales revenue		¥25,938	¥31,931
Service and other revenue		52,581	67,314
Total revenue	4	78,519	99,245
Cost of revenue			
Cost of product sales revenue		(13,027)	(14,216)
Cost of service and other revenue		(34,571)	(39,469)
Total cost of revenue		(47,598)	(53,685)
Gross profit		30,921	45,560
Selling, general and administrative expenses		(15,470)	(18,153)
Other income and other expenses, net	11	(3,324)	(3,242)
Operating profit		12,127	24,165
Finance income		128	352
Finance costs		(1,350)	(165)
(Loss) profit from investments accounted for using the equity method		(10)	141
Profit before income taxes		10,895	24,493
Income taxes		(3,171)	(6,832)
Profit for the period		7,724	17,661
Profit attributable to:			
Owners of the parent		7,724	17,661
Non-controlling interests		¥0	¥0

Yen

	Note	Three months ended December 31, 2022	Three months ended December 31, 2023
Earnings per share (attributable to owners of the parent)			
Basic	12	¥56.99	¥130.28
Diluted	12	¥56.98	¥130.28

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

**Quarterly Condensed Consolidated Statement of Comprehensive Income**  
**Nine months ended December 31, 2022 and 2023**

Millions of Yen

	Note	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit for the period		¥27,571	¥44,495
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		196	(234)
Total items that will not be reclassified to profit or loss		196	(234)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		3,742	3,843
Total items that may be reclassified to profit or loss		3,742	3,843
Total other comprehensive income		3,938	3,609
<b><i>Total comprehensive income for the period</i></b>		<b>31,509</b>	<b>48,104</b>
Comprehensive income attributable to:			
Owners of the parent		31,509	48,104
Non-controlling interests		¥0	¥0

### Three months ended December 31, 2022 and 2023

Millions of Yen

	Note	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit for the period		¥7,724	¥17,661
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		160	(258)
Total items that will not be reclassified to profit or loss		160	(258)
Items that may be reclassified to profit or loss:			
Exchange differences on foreign operations		(4,644)	(3,880)
Total items that may be reclassified to profit or loss		(4,644)	(3,880)
Total other comprehensive income		(4,484)	(4,138)
<b>Total comprehensive income for the period</b>		3,240	13,523
Comprehensive income attributable to:			
Owners of the parent		3,240	13,523
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						27,571	27,571	0	27,571
Other comprehensive income					3,938		3,938		3,938
Total comprehensive income for the period		-	-	-	3,938	27,571	31,509	0	31,509
Purchase of treasury shares				(8)			(8)		(8)
Dividends	8					(20,022)	(20,022)		(20,022)
Conversion of convertible bond-type bonds with subscription rights to shares			3,117	5,283			8,400		8,400
Transfer from other components of equity to retained earnings					240	(240)	-		-
Total transactions with the owners		-	3,117	5,275	240	(20,262)	(11,630)	-	(11,630)
<b>Balance at December 31, 2022</b>		¥47,399	¥78,144	¥(21,593)	¥10,879	¥253,111	¥367,940	¥15	¥367,955

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						44,495	44,495	0	44,495
Other comprehensive income					3,609		3,609		3,609
Total comprehensive income for the period		-	-	-	3,609	44,495	48,104	0	48,104
Purchase of treasury shares				(4)			(4)		(4)
Disposal of treasury shares			0	0			0		0
Dividends	8					(16,809)	(16,809)		(16,809)
Total transactions with the owners		-	0	(4)	-	(16,809)	(16,813)	-	(16,813)
<b>Balance at December 31, 2023</b>		¥47,399	¥78,144	¥(21,598)	¥15,489	¥288,121	¥407,555	¥15	¥407,570

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



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

Millions of Yen

	Note	Nine months ended December 31, 2022	Nine months ended December 31, 2023
<b><i>Operating activities</i></b>			
Profit for the period		¥27,571	¥44,495
Depreciation and amortization		18,268	15,955
Impairment losses		188	810
Interest and dividends income		(241)	(922)
Interest expense		547	468
Loss on sale or disposal of property, plant and equipment		32	2,478
Profit from investments accounted for using the equity method		(99)	(370)
Income taxes		10,803	17,006
Decrease (increase) in trade and other receivables		541	(3,404)
Increase in inventories		(4,341)	(2,642)
(Decrease) increase in trade and other payables		(3,821)	1,142
Increase in prepaid expense		(927)	(946)
(Decrease) increase in contract liabilities		(1,911)	5,440
Other, net		(1,523)	(3,735)
Interest and dividends received		219	890
Interest paid		(444)	(382)
Income taxes paid		(28,146)	(11,789)
<b><i>Net cash provided by operating activities</i></b>		<b>16,716</b>	<b>64,494</b>
<b><i>Investing activities</i></b>			
Capital expenditures		(36,097)	(25,498)
Payments for lease deposits		(419)	(78)
Proceeds from refunds of lease deposits		1,329	261
Other, net		91	(57)
<b><i>Net cash used in investing activities</i></b>		<b>(35,096)</b>	<b>(25,372)</b>
<b><i>Financing activities</i></b>			
Principal payments of lease liabilities		(5,691)	(5,565)
Dividends paid	8	(19,993)	(16,789)
Other, net		(7)	(5)
<b><i>Net cash used in financing activities</i></b>		<b>(25,691)</b>	<b>(22,359)</b>
Effect of exchange rate changes on cash and cash equivalents		2,376	2,257
Net (decrease) increase in cash and cash equivalents		(41,695)	19,020
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>¥209,016</b>	<b>¥238,283</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 nine months ended December 31, 2023.

**(1) Operating segment information**

For the nine months ended December 31, 2022

Millions of Yen

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

For the nine months ended December 31, 2023

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥172,840	¥15,193	¥29,517	¥35,546	¥253,096	-	¥253,096
Intersegment	529	1,127	89	25	1,770	¥(1,770)	-
Total	173,369	16,320	29,606	35,571	254,866	(1,770)	253,096
Business profit	¥55,902	¥2,222	¥4,878	¥2,079	¥65,081	¥(2,260)	62,821
Other income and other expenses, net	-	-	-	-	-	-	(3,213)
Operating profit	-	-	-	-	-	-	59,608
Finance income and finance costs, net	-	-	-	-	-	-	1,523
Profit from investments accounted for using the equity method	-	-	-	-	-	-	370
Profit before income taxes	-	-	-	-	-	-	¥61,501

For the three months ended December 31, 2022

Millions of Yen

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

For the three months ended December 31, 2023

Millions of Yen

	Reportable segments					Intersegment eliminations	Consolidated
	Digital Entertainment	Amusement	Gaming & Systems	Sports	Total		
Revenue							
External customers	¥71,072	¥5,927	¥10,481	¥11,765	¥99,245	-	¥99,245
Intersegment	195	391	23	7	616	¥(616)	-
Total	71,267	6,318	10,504	11,772	99,861	(616)	99,245
Business profit	¥24,870	¥1,029	¥1,761	¥479	¥28,139	¥(732)	27,407
Other income and other expenses, net	-	-	-	-	-	-	(3,242)
Operating profit	-	-	-	-	-	-	24,165
Finance income and finance costs, net	-	-	-	-	-	-	187
Profit from investments accounted for using the equity method	-	-	-	-	-	-	141
Profit before income taxes	-	-	-	-	-	-	¥24,493

## (2) Geographic information

Revenue from external customers for the nine months ended December 31, 2022 and 2023

	Millions of Yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
<b>Revenue:</b>		
Japan	¥151,176	¥175,393
United States	50,709	48,740
Europe	13,056	16,008
Asia/Oceania	11,937	12,955
Consolidated	¥226,878	¥253,096

Revenue from external customers for the three months ended December 31, 2022 and 2023

	Millions of Yen	
	Three months ended December 31, 2022	Three months ended December 31, 2023
<b>Revenue:</b>		
Japan	¥53,185	¥69,395
United States	17,401	18,946
Europe	3,759	6,189
Asia/Oceania	4,174	4,715
Consolidated	¥78,519	¥99,245

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 December 31, 2023.

	Millions of Yen	
	As of March 31, 2023	As of December 31, 2023
Contract liabilities	¥9,489	¥14,970
Others	9,536	7,887
Total	¥19,025	¥22,857

## 6. Bonds

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

For the nine months ended December 31, 2023, there was neither issuance nor redemption of bonds.

## 7. Equity

Changes in other components of equity consisted of the following:

	Millions of Yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 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	3,742	3,843
Transfer to retained earnings	-	-
Balance at the end of the period	¥10,681	¥15,210
<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	196	(234)
Transfer to retained earnings	240	-
Balance at the end of the period	¥198	¥279

## 8. Dividends

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

The Company paid dividends 124.00 yen per share and the total amount of ¥16,809 million for the nine months ended December 31, 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 nine months ended December 31, 2022

Millions of Yen

	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥108,270	¥27,885	¥13,056	¥6,733	¥155,944
Amusement	9,204	-	-	246	9,450
Gaming & Systems	-	22,824	-	4,958	27,782
Sports	33,702	-	-	-	33,702
Revenue from external customers	¥151,176	¥50,709	¥13,056	¥11,937	¥226,878
Revenue recognized from contracts with customers	¥151,176	45,967	¥13,056	¥11,937	222,136
Revenue recognized from other sources	-	¥4,742	-	-	¥4,742

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

For the nine months ended December 31, 2023

Millions of Yen

	Japan	United States	Europe	Asia/Oceania	Total revenue
Digital Entertainment	¥124,654	¥25,551	¥16,008	¥6,627	¥172,840
Amusement	15,193	-	-	-	15,193
Gaming & Systems	-	23,189	-	6,328	29,517
Sports	35,546	-	-	-	35,546
Revenue from external customers	¥175,393	¥48,740	¥16,008	¥12,955	¥253,096
Revenue recognized from contracts with customers	¥175,393	43,661	¥16,008	¥12,955	248,017
Revenue recognized from other sources	-	¥5,079	-	-	¥5,079

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 December 31, 2023.

Millions of Yen

	As of March 31, 2023		As of December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
Financial assets measured at amortized cost				
Loans receivable	¥21	¥21	¥12	¥12
Lease deposits	15,953	16,766	16,888	17,565
Other financial assets	1,184	1,104	1,109	1,036
Equity financial assets measured at fair value through other comprehensive income				
Other investments (Securities)	1,738	1,738	1,427	1,427
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	¥59,851	¥57,681
Other financial liabilities	2,160	2,160	2,090	2,090

**(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 December 31, 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 December 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)	¥805	-	¥622	¥1,427
Other investments (Non-securities)	-	-	72	72
Financial assets measured at fair value through profit or loss				
Other investments (Non-securities)	-	-	80	80
Total	¥805	-	¥774	¥1,579

Other investments, which are classified as Level 3, have no significant changes for the nine months ended December 31, 2023.

## 11. Other Income and Other Expenses

During the three months ended December 31, 2022, patent-related costs of ¥3,559 million in the Gaming & Systems business was recognized and included in the line item “other income and other expenses, net.” We had been discussing issues including validity of other company’s patent relating to our products in Australia since 2011. In December 2022, we recognized all of the costs including compensation for the issues. As this case does not arise in countries other than Australia, no further costs associated with the issues incur in the future.

During the three months ended December 31, 2023, losses on retirement of internally generated intangible assets arising from development of 2,472 million yen were recorded and included in the line item “other income and other expenses, net.” This mainly comprised of losses on the retirement of internally generated intangible assets in development that were discontinued.

## 12. Earnings per Share

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the nine months ended December 31, 2022 and 2023 is as follows:

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit attributable to owners of the parent	27,571 million yen	44,495 million yen
Adjustments for profit used in the calculation of diluted earnings per share	9 million yen	- million yen
Profit used in the calculation of diluted earnings per share	27,580 million yen	44,495 million yen
Basic weighted average ordinary shares outstanding	134,611,852 shares	135,558,479 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	947,157 shares	- shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,559,009 shares	135,558,479 shares
Earnings per share attributable to owners of the parent for the period		
Basic	204.82 yen	328.23 yen
Diluted	203.46 yen	328.23 yen

Note) Diluted earnings per share attributable to owners of the parent for the nine months ended December 31, 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.

The breakdown of the basic and diluted earnings per share attributable to owners of the parent for the three months ended December 31, 2022 and 2023 is as follows:

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit attributable to owners of the parent	7,724 million yen	17,661 million yen
Adjustments for profit used in the calculation of diluted earnings per share	0 million yen	- million yen
Profit used in the calculation of diluted earnings per share	7,724 million yen	17,661 million yen
Basic weighted average ordinary shares outstanding	135,511,419 shares	135,558,307 shares
Adjustments for convertible bond-type bonds with subscription rights to shares	47,663 shares	- shares
Basic weighted average ordinary shares outstanding used in the calculation of diluted earnings per share	135,559,082 shares	135,558,307 shares
Earnings per share attributable to owners of the parent for the period		
Basic	56.99 yen	130.28 yen
Diluted	56.98 yen	130.28 yen

Note) Diluted earnings per share attributable to owners of the parent for the three months ended December 31, 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.

### **13. Subsequent Events**

There have been no events after December 31, 2023 that would require adjustments to the quarterly condensed consolidated financial statements or disclosures in the notes to the quarterly condensed consolidated financial statements.

### **14. Approval of Quarterly Condensed Consolidated Financial Statements**

The quarterly condensed consolidated financial statements were approved by Representative Director, President, Kimihiko Higashio, on February 9, 2024.