DYJH

Interim Report 2019

DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

Stock Code: 06889 * For identification purpose only

DYNAM JAPAN HOLDINGS Co., Ltd.

Interim Report 2019

Contents

DYNAM JAPAN HOLDINGS Co., Ltd. (the "Company", together with its subsidiaries, the "Group") was incorporated under Japanese law, which differs from Hong Kong law in certain respects. Loss or destruction of share certificates can have serious implications under Japanese law on a shareholder's ability to sell his/her shares, rights to vote and rights to receive dividend payments. Shareholders of the Company (the "Shareholders") holding shares of the Company (the "Shares") in his/her own names (instead of holding through CCASS) are strongly advised to refer to the section headed "Material Shareholders' Matters under Japanese law" on the Company's website at **http://www.dyjh.co.jp and/or seek independent professional advice.**

Corporate **Philosophy**

A CENTURIAL COMMITMENT TO BUILDING TRUST AND ENCOURAGING DREAMS

A company cannot exist unless it consistently fulfills the responsibilities it has towards its employees, shareholders, financial institutions, business partners and other stakeholders, while at the same time supports and contributes to customers and local residents.

A company is expected to improve the daily lives of its stakeholders. It must also create a world in which all people are united in trust and able to live in peace.

This corporate philosophy represents the spirit in which people and organizations that are united in trust continuously strive to achieve sustainable growth by using their collective energy to achieve their dreams. The term, “centurial” that is used in our corporate philosophy refers to the long term.

The Group maintains a long-term commitment to building trust and encouraging dreams.

FIVE MANAGEMENT POLICIES

1

Principle of Customers First

The Group always adopts the principle of customers first, and acts accordingly.

2

Information Disclosure

The Group carries out transparent and fair management by appropriately disclosing information.

3

Chain Store Management

The Group is fully committed to achieving growth through its chain store management.

4

Training of Human Resources

The Group trains human resources and uses their collective energy.

5

Social Contribution

The Group contributes to society by becoming an organization that is indispensable to local communities.

THREE PRINCIPLES OF ACTIONS

1. The Group complies with laws and regulations and rules, and deals with people respectfully.
2. The Group takes decisive actions and values team work.
3. The Group confirms the actual situation on site, and presents it using numerical expressions.

Corporate **Information**

MEMBERS OF THE BOARD AND COMMITTEES

Executive Director	Kohei SATO *(Chairman of the Board, President and Chief Executive Officer)*
Non-executive Directors	Yoji SATO *(Senior Corporate Advisor of the Board)* Tatsuji FUJIMOTO Noriaki USHIJIMA
Independent Non-executive Directors	Ichiro TAKANO Mitsutoshi KATO Thomas Chun Kee YIP Kei MURAYAMA Kiyohito KANDA
Audit Committee	Ichiro TAKANO *(Chairman)* Thomas Chun Kee YIP Kiyohito KANDA
Remuneration Committee	Mitsutoshi KATO *(Chairman)* Kohei SATO Kei MURAYAMA
Nomination Committee	Mitsutoshi KATO *(Chairman)* Kohei SATO Kei MURAYAMA

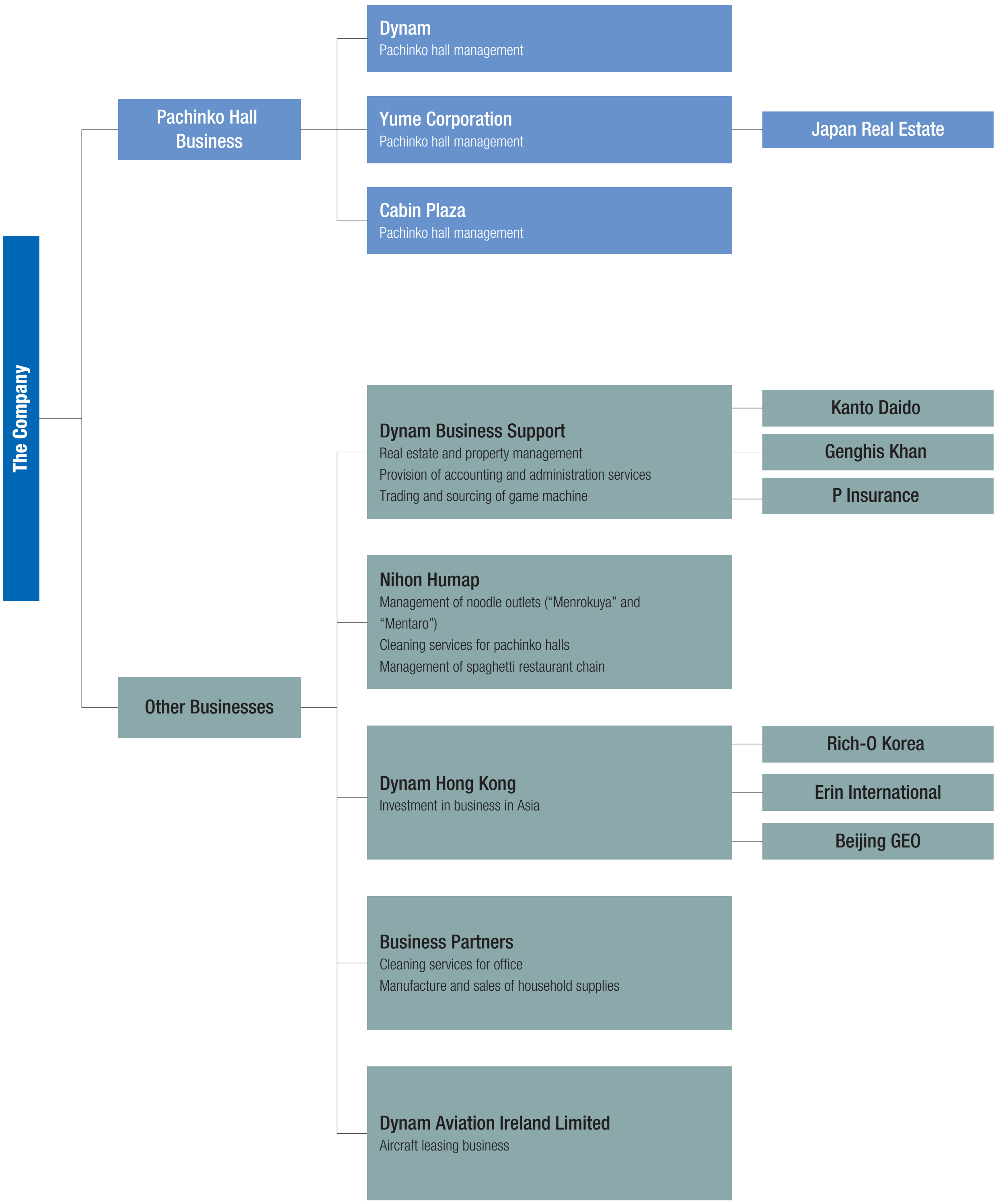
Headquarters and Registered Office	2-25-1-702 Nishi-Nippori Arakawa-ku Tokyo, 116-0013 Japan
Principal Place of Business in Hong Kong	Unit 1, 32/F, Hong Kong Plaza 188 Connaught Road West Hong Kong
Corporate Website	www.dyjh.co.jp
Investor Relations	E-mail: info@dyjh.co.jp
Stock Code	06889
Share Registrar	Computershare Hong Kong Investor Services Limited
Principal Legal Advisor as to Hong Kong Law	Deacons
Principal Legal Advisor as to Japanese Law	Soga Law Office
Auditors	PricewaterhouseCoopers Aarata LLC *(Certified Public Accountants)*
Principal Bankers	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation

Corporate **Information**

OUR GROUP ORGANIZATION

The Company is a holding company which directly controls the entire shares of 8 subsidiaries.

As at 30 September 2019



PACHINKO HALL OPERATION AS OUR CORE BUSINESS

Largest Pachinko Hall Operator in Japan

The Company is a holding company which directly holds the entire issued share capital in 8 subsidiaries including the largest pachinko hall operator Dynam. The Group operates the largest pachinko hall chain in Japan as the core business.

The Group operates the industry's largest pachinko hall network with 449 halls as at the end of September 2019.

Pachinko Game Play Summary

Pachinko is one of the most popular forms of entertainment in Japan.

Pachinko and pachislot machines

Pachinko halls offer two types of machines: pachinko and pachislot.

Pachinko resembles a pinball machine stood vertically. Small metal pachinko balls are shot continuously toward the playing field of the machine. Several pachinko balls can be earned when a pachinko ball falls into a pocket. Gameplay costs generally range from ¥0.5 to ¥4 per ball.

Pachislot is similar to the slot machines found in a casino. Inserting a token and hitting a lever rotates a reel — a spinning body on which images are displayed. Once the reel stops, the player can earn more tokens if the reel images are aligned. Gameplay costs generally range from ¥5 to ¥20 per token.

The customer borrows pachinko balls or pachislot tokens to play. Earned balls and tokens can be exchanged for prizes or recorded electronically on a member card to be used during a future visit.

Prizes

There are two types of prizes that can be exchanged for pachinko balls and pachislot tokens: general prizes and g-prizes. General prizes include household goods, snacks, tobacco and other goods typically sold at a convenience store. G-prizes include small decorated cards containing gold or silver as well as gold or silver pendants in the shape of a token.

The Group offers 1,000 different types of prizes and provides service that allows customers to select a prize from a catalog. The Group also holds various seasonal prize campaigns for festivals like Christmas and Halloween. The Group will continue to incorporate new products and popular items in order to improve our service.

Prize display area

Corporate **Information**

OTHER BUSINESS

Aircraft Leasing Business

The Company aspires to achieve a steady growth through the aircraft leasing business leveraged by strong cash flow generated from the pachinko hall operation.

Market Environment

Global air passenger demand demonstrates long-term robust growth with an average revenue passenger kilometre growth rate of 4.6% annually over 20 years. According to the Boeing Current Market Outlook, the size of the world's passenger aircraft fleet is expected to double from currently 25,830 to 50,660 by 2038. Aircraft leasing business is expected to grow steadily in the coming two decades.

Future Activities

As for the aircraft leasing operation, the Company incorporated a subsidiary in Ireland, Dynam Aviation Ireland Limited (DAIL), in December 2018. The Company intends to purchase mainly the narrow-body aircrafts such as Airbus A320 and Boeing 737, maximum of 20 aircrafts within the investment framework of 90 billion yen during the initial three years.

Operational Merits in Ireland

Ireland, where the DAIL was incorporated, has political measures of inviting and promoting the aircraft leasing business. According to the report by IDA (Investment and Development Agency) Ireland, 14 companies out of top 15 aircraft owning companies set up headquarters in Ireland. It is said to be the best suited location for the aircraft leasing business with a plenty of professional resource and information.


A320 AIRBUS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JETPHOTOS

Financial **Highlights**

	Six months ended 30 September			
	2019 (unaudited)		2018 (unaudited)	
	(in millions)			
	¥	**HK$**	¥	HK$
Gross pay-ins	**379,269**	**27,543**	386,840	26,624
Less: gross payouts	**(305,299)**	**(22,171)**	(313,257)	(21,559)
Revenue	**73,970**	**5,372**	73,583	5,064
Hall operating expenses	**(61,134)**	**(4,439)**	(62,452)	(4,298)
General and administrative expenses	**(2,339)**	**(170)**	(2,241)	(154)
Other income	**4,451**	**323**	4,764	328
Other operating expenses	**(906)**	**(66)**	(1,386)	(95)
Operating profit	**14,042**	**1,020**	12,268	844
Finance income	**286**	**21**	322	22
Finance expenses	**(1,178)**	**(86)**	(179)	(12)
Profit before income taxes	**13,150**	**955**	12,411	854
Income taxes	**(4,454)**	**(324)**	(4,086)	(281)
Net profit for the period	**8,696**	**631**	8,325	573
Net profit attributable to:				
Owners of the Company	**8,691**	**631**	8,340	574
Non-controlling interests	**5**	**Δ**	(15)	(1)
	8,696	**631**	8,325	573
Earnings per share				
Basic	**¥11.35**	**HK$0.8**	¥10.89	HK$0.7
Diluted	**¥11.35**	**HK$0.8**	¥10.89	HK$0.7
EBITDA(*)	**19,638**	**1,426**	18,049	1,242

* EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation, and net foreign exchange gain or loss.

Δ Less than HK$0.5 million.

	30 September 2019 (unaudited)		31 March 2019 (audited)	
	(in millions)			
	¥	HK$	¥	HK$
Non-current assets	**213,091**	**15,475**	125,457	8,872
Current assets	**61,441**	**4,462**	59,875	4,234
Current liabilities	**46,837**	**3,401**	36,452	2,578
Net current assets	**14,604**	**1,061**	23,423	1,656
Total assets less current liabilities	**227,695**	**16,536**	148,880	10,529
Non-current liabilities	**92,595**	**6,724**	7,080	501
Total equity	**135,100**	**9,812**	141,800	10,028

ADOPTION OF IFRS16 'LEASES'

The Group has adopted the IFRS16, Leases, in the interim condensed consolidated financial information for the six months ended 30 September 2019.

The details of IFRS16, Leases, and affected items in the consolidated financial statements are set out in the 'Financial Review' from page 16 to page 26 and note 2 of the interim condensed consolidated financial information from page 41 to page 47 of this Interim Report.

Note: IFRS is International Financial Reporting Standards.

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this Interim Report, certain amounts denominated in Japanese yen are translated into Hong Kong dollars at the rate described below:

1. ¥13.77 to HK$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019).

2. ¥14.53 to HK$1.00, the exchange rate prevailing on 28 September 2018 (i.e. the last business day in September 2018).

3. ¥14.14 to HK$1.00, the exchange rate prevailing on 29 March 2019 (i.e. the last business day in March 2019).

No representation is made that the Japanese yen amounts could have been, or could be, converted into Hong Kong dollars, or vice versa, at such rates or at any other rates on such date or on any other dates.

At a **Glance**

Number of halls

449

As of 30 September 2019

Industry Position

No.1

The Group is the pachinko industry's leading company in terms of the number of pachinko halls.

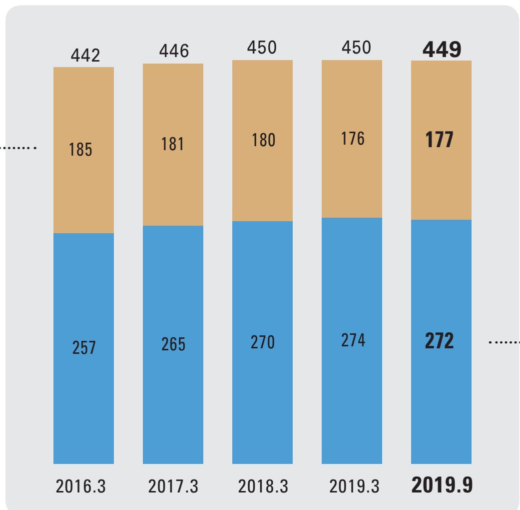
OPERATION OF TWO HALL TYPES FOCUSING ON LOW PLAYING COST GAMES

The Group operates two types of halls with different gaming costs and focuses on promoting low playing cost games.

High playing cost halls

Main hall brand: DYNAM

Most machines are high playing cost machines and smoking is allowed in the halls. This hall type includes 10 halls operated by Yume Corporation and 2 halls operated by Cabin Plaza.

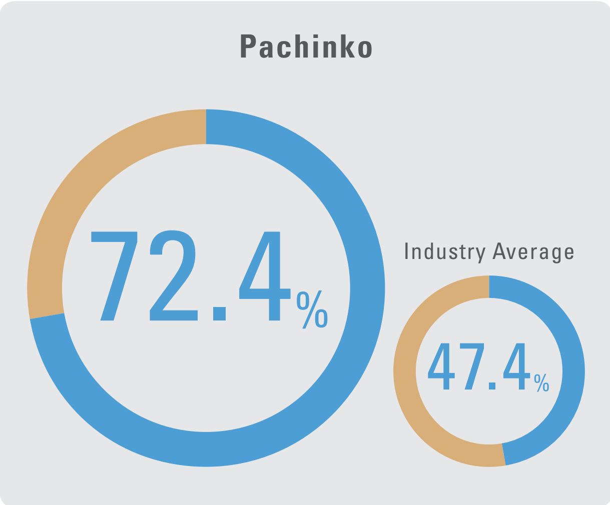


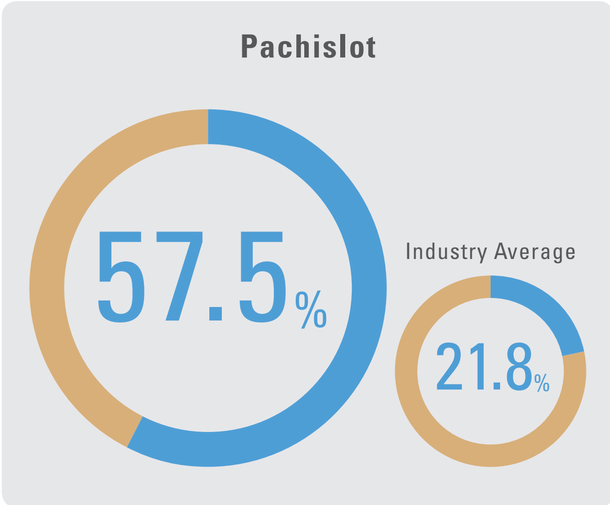
Low playing cost halls

Main hall brand:
DYNAM Yuttari Kan (ゆったり館)/ DYNAM Shinrai no Mori (信頼の森)

Machines are mainly low playing cost machines and there is a wide selection of general prizes. This hall type includes Yuttari Kan, where smoking is allowed in the halls, and Shinrai no Mori, where smoking is not allowed except in designated areas. They are comprised of 26 halls operated by Yume Corporation and 6 halls operated by Cabin Plaza.

For the six months ended 30 September 2019, we closed 1 high playing cost hall in line with a change in our business areas. Also, we converted 2 low playing cost halls to high playing cost halls. As a result, we had a total of 449 halls in operation as of 30 September 2019. By hall type, we operate 177 high playing cost halls and 272 low playing cost halls, with low playing cost halls making up the majority at 60% of the total.





PROPORTION OF LOW PLAYING COST MACHINES TO TOTAL NUMBER OF MACHINES

Customer needs have been gradually shifting towards enjoying gaming as a pastime for leisure rather than primarily as a mean of winning prizes. Under this trend, the Group has been shifting its emphasis to low playing cost games. As of 30 June 2019, the national average proportion of low playing cost machines to total number of machines was 47.4%. On the other hand, the Group has developed this to 72.4% as of 30 September 2019. Also, the proportion of halls featuring low playing cost machines is 100%, meaning that we have installed low playing cost machines at all of our halls.

Going forward, we will continue to drive the expansion of low playing cost games under our vision of reinventing pachinko as a genuine public entertainment that everyone can enjoy.

NUMBER OF GROUP EMPLOYEES

17,779 employees

According to research conducted by the Ministry of Internal Affairs and Communications of Japan, the pachinko industry plays a major role in job creation in Japan with an industry- wide workforce of 250,000 employees. As of 30 September 2019, the Group had a workforce of 17,779 employees. The Group's creation of these jobs and retention of the employees have helped to enhance its recognition from society.

Business **Overview**

The Group will maximize leverage of its position as the pachinko industry's leading company in terms of the number of pachinko halls and will steadily accumulate profits over the long-term through multiple-hall development and low cost operations.

▶Initiatives to Realize Everyday Entertainment

Our vision is to reinvent pachinko gaming as a form of everyday entertainment that everyone can easily enjoy, as a regional infrastructure. To realize everyday entertainment, we must manage our business so that our customers consider the time and money they spend in our halls are at acceptable levels for everyday entertainment.

Therefore, the Group practices chain store management as one of its management policies.

We are building a framework that enable us to fully leverage the advantages derived from multiple-hall development, and manage all hall operations at low cost.

Managing our pachinko halls at low cost leaves space to enable us to entertain customers with low playing cost games, which in turn leads to the realizing of everyday entertainment.

▶Multiple-Hall Development and Low-Cost Operations are the Source of Profit

A feature of the Group's chain store management is multiple-hall development and low cost operations centered on low playing cost games. Devising low cost measures and the expertise needed from store openings to store management are crucial in promoting low playing cost games. By reaping the benefits of the economies of scale through multiple-hall development when purchasing game machines and general prizes, the Group has positioned itself in a strong, advantageous position to develop the pachinko hall operation business. Moving forward, we will continue to leverage our status as the pachinko industry's leading company in terms of the number of pachinko halls and steadily accumulated profits over the long term by implementing chain store management.

Multiple-hall development

The Group is implementing multiple-hall development based on its theory of chain store operations by opening new standardized halls and acquiring other pachinko hall operators into the Group to drive an increase in the number of halls.

▶Opening new standardized halls

The Group is controlling its initial opening costs by standardizing hall types and concentrating on opening halls in smaller populated regional areas. At the same time, the Group is reaping the benefits of the economies of scale of multiple-hall development to limit purchasing cost of gaming machines and general prizes.

Targeting small business areas with 30,000 to 50,000 residents

The Group is promoting a suburban strategy for hall development by opening new halls in small regional business areas with 30,000 to 50,000 residents.

Standardizing hall specifications

The Group standardizes the interior layout and installation number of gaming machines of the halls. This has enabled the Group to cut down initial investment costs and period of construction.

Wood-frame halls on land leased for 20 years

As a rule of thumb, the Group constructs wood-frame halls on leased land to avoid excessive investment in land purchases, so as to scrap the halls easily if market conditions change in the future.

▶Acquiring other pachinko hall operators into the Group

Making the most of its advantage as a listed company, the Group implements schemes such as share exchanges to acquire other pachinko hall operators into the Group and expand its network of halls. As an example, the Company acquired Yume Corporation into the Group through share exchange on 1 November 2015.

Low-cost operations

By reaping the benefits of the economies of scale, the Group has used second-hand gaming machines, established distribution centers and leveraged ICT to streamline hall operations and optimize major costs such as gaming machine and personnel expenses, which account for approximately 60% of hall operating expenses.

▶Using second-hand gaming machines and establishing distribution centers

The Group not only installs the newest and most popular hit models of gaming machines, but also an array of second-hand ones procured at low cost in its halls. The Group has established 16 distribution centers throughout Japan, each of which covers the logistical needs and facilitates the sharing of gaming machines among halls. The gaming machines installed in the halls are centrally managed according to coverage area by these distribution centers. The centers help the Group to flexibly manage the lineup of gaming machines in the halls.

▶Use of ICT systems

The Group has installed an individual ball counter system to manage the number of pachinko balls and pachislot tokens that come out of each gaming machine in the halls. This serves to improve staff's productivity and reduce personnel expenses as well as saving time and effort for customers. Apart from that, ICT systems are applied strategically to streamline and reduce the cost of corporate functions including hall management, formulation of marketing strategies, personnel administration and accounting.

Financial **Review**

ADOPTION OF IFRS16 'LEASES'

The Group has adopted the IFRS16, Leases, in the interim condensed consolidated financial information for the six months ended 30 September 2019.

The adoption of IFRS16, Leases, affected the following items in the consolidated financial information.

Consolidated Statement of Financial Position on 1 April 2019:

- Right-of-use assets — increased by ¥79,359 million
- Lease receivables — increased by ¥5,651 million
- Lease payables — increased by ¥93,752 million
- Retained earnings — decreased by ¥9,443 million
- Equity ratio as of 1 April 2019 was 49.1%, decreased from 76.5% as of 31 March 2019

Consolidated Statement of Profit or Loss:

Profit before income tax increased by ¥289 million on Condensed Consolidated Statement of Profit or Loss.

Consolidated Statement of Cash Flows:

Cash flows from operating activities increased by ¥5,403 million and, in contrast, cash flows from financing activities decreased by the same amount on Consolidated Statement of Cash Flows.

The details of IFRS16, Leases, are set out in note 2 of the interim condensed consolidated financial information from page 41 to page 47 of this Interim Report.

The following table sets forth the gross pay-ins, gross payouts, and revenue by type of hall for the periods indicated:

	Six months ended 30 September				
	2019 (unaudited)		2018 (unaudited)		
	(in millions, except for percentages)				
	¥	HK$[1]	¥	HK$[2]	changes[3]
Gross pay-ins					
— High playing cost halls	**211,562**	**15,364**	222,935	15,343	–5.1%
— Low playing cost halls	**167,707**	**12,179**	163,905	11,280	+2.3%
Total gross pay-ins	**379,269**	**27,543**	386,840	26,624	–2.0%
Gross payouts					
— High playing cost halls	**175,248**	**12,727**	186,135	12,810	–5.8%
— Low playing cost halls	**130,051**	**9,444**	127,122	8,749	+2.3%
Total gross payouts	**305,299**	**22,171**	313,257	21,559	–2.5%
Revenue					
— High playing cost halls	**36,314**	**2,637**	36,800	2,533	–1.3%
— Low playing cost halls	**37,656**	**2,735**	36,783	2,532	+2.4%
Total revenue	**73,970**	**5,372**	73,583	5,064	+0.5%

(1) Translated into Hong Kong dollars at the rate of ¥13.77 to HK$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019).

(2) Translated into Hong Kong dollars at the rate of ¥14.53 to HK$1.00, the exchange rate prevailing on 28 September 2018 (i.e. the last business day in September 2018).

(3) The increase and decrease are referred to the changes in respect of the Japanese yen amounts but not the translated amounts in Hong Kong dollars.

Financial **Review**

During this interim period, the pachinko hall industry has continued to operate under a severe business environment.

Under such business environment, the Group has made efforts to grow and develop with local communities and to improve the machine utilisation through various together business measures under the important policies of setting up our halls from the customers' viewpoints and operating each of our halls with a focus on customers' needs.

As the infrastructure for the community, the Group is committed to multiple hall development focusing on low playing cost halls for realizing the vision "Remaking Pachinko and Pachislot More Familiar National Pastime". The total number of halls as at the end of September 2019 became 449. By hall type, we operate 177 high playing cost halls and 272 low playing cost halls, with low playing cost halls making up the 60% of the total.

Set out below is detailed performance of our gross pay-ins, gross payouts, and revenue for this interim period.

GROSS PAY-INS

Gross pay-ins represents the amount received from pachinko balls and pachislot tokens rented to customers less unutilised balls and tokens.

Our gross pay-ins was ¥386,840 million (equivalent to approximately HK$26,624 million) and ¥379,269 million (equivalent to approximately HK$27,543 million) for the six months ended 30 September 2018 and 2019 respectively.

Our gross pay-ins by hall type are as follows.

Gross pay-ins for high playing cost halls decreased by ¥11,373 million (equivalent to approximately HK$826 million), or 5.1%*, from ¥222,935 million (equivalent to approximately HK$15,343 million) for the six months ended 30 September 2018 to ¥211,562 million (equivalent to approximately HK$15,364 million) for the six months ended 30 September 2019. The decrease was primarily due to the decrease in utilisation of our machines.

Gross pay-ins for low playing cost halls increased by ¥3,802 million (equivalent to approximately HK$276 million), or 2.3%*, from ¥163,905 million (equivalent to approximately HK$11,280 million) for the six months ended 30 September 2018 to ¥167,707 million (equivalent to approximately HK$12,179 million) for the six months ended 30 September 2019. The increase was due primarily to the recovery in utilisation of our machines as the outcome of our efforts in operation measures.

GROSS PAYOUTS

Gross payouts represents the aggregate cost of G-prizes and general prizes exchanged at our halls by our customers.

Our gross payouts was ¥313,257 million (equivalent to approximately HK$21,559 million) and ¥305,299 million (equivalent to approximately HK$22,171 million) for the six months ended 30 September 2018 and 2019 respectively.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥10,887 million (equivalent to approximately HK$791 million), or 5.8%*, from ¥186,135 million (equivalent to approximately HK$12,810 million) for the six months ended 30 September 2018 to ¥175,248 million (equivalent to approximately HK$12,727 million) for the six months ended 30 September 2019, which was in line with the decrease in gross pay-ins.

Gross payouts for low playing cost halls increased by ¥2,929 million (equivalent to approximately HK$213 million), or 2.3%*, from ¥127,122 million (equivalent to approximately HK$8,749 million) for the six months ended 30 September 2018 to ¥130,051 million (equivalent to approximately HK$9,444 million) for the six months ended 30 September 2019. The increase was due primarily to the increase in gross pay-ins.

REVENUE AND REVENUE MARGIN

Our revenue represents the gross pay-ins, less gross payouts to customers and our revenue margin represents revenue divided by gross pay-ins.

Our revenue increased by ¥387 million (equivalent to approximately HK$28 million), or 0.5%*, from ¥73,583 million (equivalent to approximately HK$5,064 million) for the six months ended 30 September 2018 to ¥73,970 million (equivalent to approximately HK$5,372 million) for the six months ended 30 September 2019.

Our revenue by hall type are as follows.

Revenue for high playing cost halls decreased by ¥486 million (equivalent to approximately HK$35 million), or 1.3%*, from ¥36,800 million equivalent to approximately HK$2,533 million) for the six months ended 30 September 2018 to ¥36,314 million (equivalent to approximately HK$2,637 million) for the six months ended 30 September 2019. The decrease was primarily due to a decrease in utilisation of our high playing cost machines. The revenue margin for the six months ended 30 September 2019 increased by 0.7 points to 17.2% as compared with the previous interim period.

Revenue for low playing cost halls increased by ¥873 million (equivalent to approximately HK$63 million), or 2.4%*, from ¥36,783 million (equivalent to approximately HK$2,532 million) for the six months ended 30 September 2018 to ¥37,656 million (equivalent to approximately HK$2,735 million) for the six months ended 30 September 2019. The increase was primarily due to the increase in utilisation of our low playing cost machines. The revenue margin for the six months ended 30 September 2019 increased by 0.1 point to 22.5% as compared with the previous interim period.

HALL OPERATING EXPENSES

Hall operating expenses for the six months ended 30 September 2019 was ¥61,134 million (equivalent to approximately HK$4,439 million), recording a decrease by ¥1,318 million (equivalent to approximately HK$96 million), or 2.1%* as compared to the previous interim period.

Our hall operating expenses by hall type are as follows.

Hall operating expenses for high playing cost halls decreased by ¥1,255 million (equivalent to approximately HK$91 million), or 4.4%*, from ¥28,574 million (equivalent to approximately HK$1,967 million) for the six months ended 30 September 2018 to ¥27,319 million (equivalent to approximately HK$1,984 million) for the six months ended 30 September 2019.

Hall operating expenses for low playing cost halls decreased by ¥63 million (equivalent to approximately HK$5 million), or 0.2%*, from ¥33,878 million (equivalent to approximately HK$2,332 million) for the six months ended 30 September 2018 to ¥33,815 million (equivalent to approximately HK$2,455 million) for the six months ended 30 September 2019.

Financial **Review**

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by ¥98 million (equivalent to approximately HK$7 million), or 4.4%*, from ¥2,241 million (equivalent to approximately HK$154 million) for the six months ended 30 September 2018 to ¥2,339 million (equivalent to approximately HK$170 million) for the six months ended 30 September 2019.

OTHER INCOME

Other income decreased by ¥313 million (equivalent to approximately HK$23 million), or 6.6%, from ¥4,764 million (equivalent to approximately HK$328 million) for the six months ended 30 September 2018 to ¥4,451 million (equivalent to approximately HK$323 million) for the six months ended 30 September 2019. The decrease was due primarily to the insurance income for the loss on disaster that recognized in the previous interim period was not recognized for this interim period.

OTHER OPERATING EXPENSES

Other operating expenses decreased by ¥480 million (equivalent to approximately HK$35 million), or 34.6%*, from ¥1,386 million (equivalent to approximately HK$95 million) for the six months ended 30 September 2018 to ¥906 million (equivalent to approximately HK$66 million) for the six months ended 30 September 2019. The decrease was due primarily to the loss on disaster that recognized in the previous interim period was not recognized for this interim period.

FINANCE INCOME

Finance income decreased by ¥36 million (equivalent to approximately HK$3 million), from ¥322 million (equivalent to approximately HK$22 million) for the six months ended 30 September 2018 to ¥286 million (equivalent to approximately HK$21 million) for the six months ended 30 September 2019.

FINANCE EXPENSES

Finance expenses increased by ¥999 million (equivalent to approximately HK$73 million), from ¥179 million (equivalent to approximately HK$12 million) for the six months ended 30 September 2018 to ¥1,178 million (equivalent to approximately HK$86 million) for the six months ended 30 September 2019. The increase was primarily attributable to the increased interest expenses due to the adoption of IFRS16, Leases.

* The increase and decrease are referred to the changes in respect of the Japanese yen amounts but not the translated amounts in Hong Kong dollars.

CASH FLOW

We meet our working capital and other capital requirements principally with the following: (i) cash generated from our operations; and (ii) bank borrowings.

The table below sets out the cash flow data extracted from our interim condensed consolidated statement of cash flows:

	Six months ended 30 September			
	2019		2018	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Net cash generated from operating activities	**17,458**	**1,267**	15,856	1,091
Net cash used in investing activities	**(8,430)**	**(612)**	(3,461)	(238)
Net cash used in financing activities	**(8,062)**	**(585)**	(8,174)	(562)
Effects of exchange rate changes on cash and cash equivalents	**(363)**	**(26)**	167	11
Net increase in cash and cash equivalents	**603**	**44**	4,388	302
Cash and cash equivalents at the beginning of period	**47,537**	**3,452**	40,533	2,790
Cash and cash equivalents at the end of period	**48,140**	**3,496**	44,921	3,092

Financial **Review**

Net cash generated from operating activities

The following table sets forth a summary of our cash flows from operating activities for the periods indicated:

	Six months ended 30 September			
	2019		2018	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Operating profit before working capital changes	**24,959**	**1,812**	18,081	1,244
Change in working capital	**(2,405)**	**(175)**	511	36
Cash generated from operations	**22,554**	**1,637**	18,592	1,280
Income taxes paid	**(4,099)**	**(298)**	(2,696)	(186)
Finance expenses paid	**(997)**	**(72)**	(40)	(3)
Net cash generated from operating activities	**17,458**	**1,267**	15,856	1,091

(1) Translated into Hong Kong dollars at the rate of ¥13.77 to HK$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019).

(2) Translated into Hong Kong dollars at the rate of ¥14.53 to HK$1.00, the exchange rate prevailing on 28 September 2018 (i.e. the last business day in September 2018).

Our net cash generated from operating activities was ¥15,856 million (equivalent to approximately HK$1,091 million) and ¥17,458 million (equivalent to approximately HK$1,267 million) for the six months ended 30 September 2018 and 2019, respectively. The increase in our net cash generated from operating activities was mainly due to increase in operating profit before working capital change, partially offset by the negative change in working capital.

Net cash used in investing activities

Our cash used in investing activities primarily consists of capital expenditures for property, plant and equipment, including freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles and construction in progress. Net cash used in investing activities was ¥3,461 million (equivalent to approximately HK$238 million) and ¥8,430 million (equivalent to approximately HK$612 million) for the six months ended 30 September 2018 and 2019, respectively. The cash outflow for the six months ended 30 September 2019 was primarily due to the purchase of property, plant, and equipment, including aircraft, amounted to ¥8,337 million (equivalent to approximately HK$605 million).

Net cash used in financing activities

Our cash used in financing activities primarily consists of dividends paid to Shareholders, repayment of bank borrowings, and repayment of lease payables.

Net cash used in financing activities was ¥8,174 million (equivalent to approximately HK$562 million) and ¥8,062 million (equivalent to approximately HK$585 million) for the six months ended 30 September 2018 and 2019, respectively.

The cash outflow for the six months ended 30 September 2019 was primarily due to the repayment of bank loans in the amount of ¥1,961 million (equivalent to approximately HK$142 million) and dividend payment in the amount of ¥4,596 million (equivalent to approximately HK$334 million), while cash inflow by bank loans raised in the amount of ¥3,992 million (equivalent to approximately HK$290 million) .

LIQUIDITY

Net current assets and working capital sufficiency

The following table sets forth our current assets and current liabilities for the periods indicated:

	30 September 2019 (unaudited)		31 March 2019 (unaudited)	
		(in millions)		
	¥	HK$[(1)]	¥	HK$[(2)]
Current assets				
Inventories	**3,519**	**256**	1,949	138
Trade receivables	**580**	**42**	614	43
Lease receivables	**2,168**	**157**	81	6
Prizes in operation of pachinko halls	**4,644**	**337**	3,791	268
Other current assets	**2,390**	**174**	5,903	417
Cash and cash equivalents	**48,140**	**3,496**	47,537	3,362
	61,441	**4,462**	59,875	4,234
Current liabilities				
Trade and other payables	**16,764**	**1,218**	19,297	1,365
Borrowings	**1,864**	**135**	2,124	150
Finance lease payables	**–**	**–**	227	16
Lease payables	**12,572**	**913**	–	–
Provisions	**2,137**	**155**	2,013	142
Income taxes payables	**4,866**	**353**	4,310	305
Other current liabilities	**8,634**	**627**	8,481	600
	46,837	**3,401**	36,452	2,578
Net current assets	**14,604**	**1,061**	23,423	1,656

(1) Translated into Hong Kong dollars at the rate of ¥13.77 to HK$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019).

(2) Translated into Hong Kong dollars at the rate of ¥14.14 to HK$1.00, the exchange rate prevailing on 29 March 2019 (i.e. the last business day in March 2019).

As at 31 March 2019 and 30 September 2019, our net current assets totaled ¥23,423 million (equivalent to approximately HK$1,656 million) and ¥14,604 million (equivalent to approximately HK$1,061 million), respectively, and our current ratio was 1.6 and 1.3, respectively.

Financial **Review**

CAPITAL EXPENDITURE

Our capital expenditures consist primarily of purchases of land, buildings including the cost of leasehold improvements, tools and equipment, motor vehicles and construction in progress, related to the improvements of facilities in our halls to enhance our competitiveness in attracting customers and the construction of new halls.

During the six months ended 30 September 2019, the Group acquired aircraft of ¥4,632 million (equivalent to approximately HK$336 million) (2018: nil) related to the initiation of aircraft leasing business.

As a result, during the six months ended 30 September 2019, the Group acquired property, plant and equipment of ¥7,892 million (equivalent to approximately HK$573 million) (2018: ¥3,752 million, equivalent to approximately HK$258 million).

CONTINGENT LIABILITIES

As at 30 September 2019, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The information on capital commitments is provided in note 13 to the interim condensed consolidated financial information on page 56 of this Interim Report.

ACQUISITION AND DISPOSAL

For the six months ended 30 September 2019, there was no material acquisition and disposal of any of our subsidiaries.

SIGNIFICANT INVESTMENTS

Save for the new halls opened and acquisition of aircraft, set out in **CAPITAL EXPENDITURE**, we did not have any significant investments during the six months ended 30 September 2019.

EMPLOYEES

As at 30 September 2019, we had approximately 17,779 employees (31 March 2019: 18,023). We will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution and housing fund schemes. The employee remuneration incurred for the six months ended 30 September 2019 was ¥26,138 million (equivalent to approximately HK$1,898 million).

CAPITAL STRUCTURE

Principal sources of funds

Our principal sources of funds are cash generated from our operations and various short-term and long-term bank borrowings and lines of credit. Our primary liquidity requirements are to finance working capital, fund the payment of interest and principal due on our indebtedness and fund our capital expenditures and the growth and expansion of our operations.

We have historically met our working capital and other liquidity requirements principally from cash generated by our operations, while financing the remainder primarily through bank borrowings. Going forward, we expect to continue relying principally on our internally-generated cash flows for our working capital and other liquidity requirements, and bank borrowings as capital resources to finance a portion of our operations.

Indebtedness

Our short-term and long-term borrowings outstanding as at 30 September 2019 were ¥1,864 million (equivalent to approximately HK$135 million) and ¥2,775 million (equivalent to approximately HK$202 million), respectively.

During the six months ended 30 September 2019, the Group financed a short-term borrowing of ¥318 million (equivalent to approximately HK$23 million) and a long-term borrowing of ¥2,530 million (equivalent to approximately HK$183 million) related to the initiation of the aircraft leasing business.

The borrowing is non-recourse loan which resource of repayment is limited to the cash flow generated by aircraft leasing business and the Group has no obligation to repay beyond that limit pursuant to the Loan Agreements.

In this regard, management considers that the Group's risks associated with borrowings are significantly reduced.

Loan facilities

As at 30 September 2019, we had a total amount of approximately ¥34,000 million (equivalent to approximately HK$2,469 million) of banking facilities and an installment facility available to us, of which total amount was unutilized.

The overview of our loan facilities is as follows.

Dynam has been continuing the commitment line contract with banks and syndicate of lenders with regard to the one responsive to earthquake disaster. The previous commitment line contract has remained a slight concern in the fund-raising due to effectuation of immunity reason for financial institutions at the time of large scale earthquake disaster. Dynam has signed the new commitment line contract responsive to earthquake disaster to resolve the above concern, which has enabled Dynam to secure the fund promptly even in the case of earthquake disaster.

This commitment line provides a revolving loan facility in an amount of up to ¥15,000 million. The commitment of the lenders to provide loans under the revolving loan facility is available for the period from the execution date of the original loan agreement to 31 March 2022.

Borrowings under the revolving loan facility bear interest at the rate of 0.3% per annum on top of the interest rate for the corresponding loan term published by the Japanese Bankers Association for euroyen TIBOR*.

On 30 September 2019, Dynam also entered into a new installment facility contract with a syndicate of leasing companies in an amount of up to ¥15,000 million for the purpose of procurement of pachinko and pachislot machines upon expiration of the previous installment facility contract dated 30 September 2018. The loan facility is available for one-year period from the execution date of the agreement.

* Tokyo Interbank Offered Rate

Financial **Review**

FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in Hong Kong dollars ("HK$") and United States dollars ("USD").

The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group's financial assets, listed equity securities are measured at fair value at the end of each reporting period and are exposed to equity security price risk. The Group periodically reviews the fair values of these investments as well as the financial condition of investees.

Interest rate risk

The Group's exposure to interest-rate risk arises mainly from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

Credit risk

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. The carrying amount of cash and bank balance, pledged bank deposits, trade, financial lease receivables and other receivables and derivative financial instruments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related customers are closely monitored by the directors.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade receivable and finance lease receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivables. In this regard, management considers that the Group's credit risk is significantly reduced.

Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Other **Information**

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at the end of the period from 1 April 2019 to 30 September 2019 (the "Reporting Period"), the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")), which should be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or was required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, are as follows:

(i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares[1]	Approximate Percentage of Interests in the Company[2]
Mr. Yoji SATO	Interest of controlled corporations[3]	273,632,560	
	Interest of spouse[3]	760	
	Other[4]	171,171,800	
		444,805,120	58.070%
Mr. Kohei SATO	Beneficial Owner[5]	53,639,680	
	Interest of spouse	1,500,000	
	Other[4]	389,665,440	
		444,805,120	58.070%
Mr. Tatsuji FUJIMOTO	Beneficial Owner	209,300	0.027%
Mr. Ichiro TAKANO	Beneficial Owner	20,000	0.003%
Mr. Noriaki USHIJIMA	Beneficial Owner	414,000	0.054%

Notes:

(1) All interests stated are long positions.

(2) There were 765,985,896 Shares in issue as at the end of the Reporting Period.

(3) Out of the total 273,632,560 Shares, SATO AVIATION CAPITAL LIMITED ("SAC"), which is wholly owned and controlled by Mr. Yoji SATO, is beneficially interested in 177,822,560 Shares. Rich-O., Ltd. ("Rich-O") is beneficially interested in remaining 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by One Asia Foundation (Hong Kong) Co., Limited ("One Asia Hong Kong") which is also wholly owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.

(4) Each of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), and Mr. Kohei SATO (brother of Mr. Yoji SATO) (collectively, the "Sato Family Members") is a party acting in concert with Mr. Yoji SATO, SAC and Rich-O and each other to obtain or consolidate the holding of 30% or more of the Company, and is therefore deemed to be interested in the Shares in which Mr. Yoji SATO or any other Sato Family Member is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which any Sato Family Member is interested.

(5) Mr. Kohei SATO, one of the Sato Family Members, has been reappointed as an executive Director on 20 June 2019 to serve concurrently as chief executive of the Company. He is beneficially interested in 53,639,680 Shares.

(ii) Interests in the associated corporation

None of our Directors or chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of any associated corporation of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at the end of the Reporting Period, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required, pursuant to the section 352 of the SFO, to be recorded in the register of the Company or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the end of the Reporting Period, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of Interest/Capacity	Number of Shares[(1)]	Approximate Percentage of Interests in the Company[(2)]
SAC	Beneficial owner[(3)]	177,822,560	
	Interest of controlled corporation[(3)]	95,810,000	
		273,632,560	35.723%
Rich-O	Beneficial owner[(3)]	95,810,000	12.508%
One Asia Foundation	Beneficial owner	80,000,000	10.444%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse[(4)]	273,632,560	
	Other[(7)]	171,171,800	
		444,805,120	58.070%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation[(5)]	14,580,104	
	Other[(7)]	410,645,440	
		444,805,120	58.070%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other[(7)]	403,829,440	
		444,805,120	58.070%
Mrs. Yaeko NISHIWAKI	Beneficial owner	22,979,576	
	Interest of controlled corporation[(6)]	17,917,184	
	Other[(7)]	403,908,360	
		444,805,120	58.070%
Mrs. Shizuka SATO	Beneficial owner	1,500,000	
	Interest of spouse[(8)]	53,639,680	
		55,139,680	7.200%

Other **Information**

Notes:

(1) All interests stated are long positions.

(2) There were 765,985,896 Shares in issue as at the end of the Reporting Period.

(3) See Note (3) on page 28 of this Interim Report.

(4) Mr. Yoji SATO is Mrs. Keiko SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.

(5) LAPULE, Ltd., which is wholly owned and controlled by Mr. Masahiro SATO, is beneficially interested in 14,580,104 Shares and such interests are deemed to be Mr. Masahiro SATO's interests under the SFO.

(6) N. Company Co., Ltd., which is wholly owned and controlled by Mrs. Yaeko NISHIWAKI, is beneficially interested in 17,917,184 Shares and such interests are deemed to be Mrs. Yaeko NISHIWAKI's interests under the SFO.

(7) See Note (4) on page 28 of this Interim Report.

(8) Mr. Kohei SATO is Mrs. Shizuka SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.

Save as disclosed above, at the end of the Reporting Period, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except for the following deviations.

Code Provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive should be performed by different individuals. Mr. Kohei SATO has been in both roles during the Reporting Period.

However, the board of Directors (the "Board") believes that Mr. Kohei SATO, in his dual capacity as the chairman of the Board and chief executive, provides strong and consistent leadership for the development of the Group, and this is beneficial and in the interests of the Company and the Shareholders. Further, the Board considers that a balance of power and authority can be ensured by the current Board composition, with over half of the Board members being independent non-executive Directors.

Code Provision E.1.3

Code provision E.1.3 stipulates that the notice for an annual general meeting should be sent to shareholders by issuer at least 20 clear business days before the meeting. The annual general meeting of the Company (the "AGM") for the year ended 31 March 2019 was held on 20 June 2019, while the AGM notice was despatched on 29 May 2019. The above arrangement complied with the articles of incorporation of the Company, as amended (the "Articles of Incorporation") prepared pursuant to the Companies Act of Japan (Act No. 86 of 2005, as amended and supplemented from time to time) (the "Companies Act") in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting was not included within this period) but the AGM notice period was less than 20 clear business days before the AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2019). The Companies Act also requires that the notice for the AGM be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the International Financial Reporting Standards as required under the Listing Rules. As a result, more time was required to finalize the annual report which accompanied the AGM notice being despatched to the Shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND "RULES ON PREVENTION OF INSIDER DEALINGS" BY DIRECTORS

The Company has adopted the Model Code and the "Rules on Prevention of Insider Dealings" as a code of conduct regarding Directors' transactions of the listed securities of the Company. The "Rules on Prevention of Insider Dealings", in addition to the Model Code, has been formulated and adopted by the Company on 1 April 2014 for Directors and employees of the Company who are likely to have access to unpublished inside information of the Group. The Company has made specific enquiry to all of the Directors, and all of the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the "Rules on Prevention of Insider Dealings" throughout the Reporting Period.

AUDIT COMMITTEE'S REVIEW OF FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by PricewaterhouseCoopers Aarata LLC, the external auditor of the Company, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants. The audit committee of the Company has also reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

The changes in the information relating to the Directors since the publication of the Company's annual report for the fiscal year ended 31 March 2019 are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

(1) On 1 August 2019, Mr. Kei MURAYAMA was appointed as a non-executive adviser to Lawson Japan, Inc. (TSE: 2651) on personal matters.

(2) On 1 June 2019, Mr. Kiyohito KANDA was appointed as an instructor of Local Autonomy College.

INTERIM DIVIDENDS

The Board declared an interim dividend of ¥6 per ordinary Share in respect of the Reporting Period, payable on 10 January 2020 to the Shareholders whose names appear on the Company's share register as at the close of business on 9 December 2019. Based on the assumption that 765,985,896 Shares shall be in issue as at 9 December 2019, it is expected that the interim dividend payable will amount to approximately ¥4,596 million (equivalent to approximately HK$334 million).

In the case when the dividends are distributed to the Shareholders in Hong Kong dollars, the exchange rate for the conversion of Japanese yen to Hong Kong dollar are based on the average currency rates prevailing five business days immediately before 20 November 2019 (being 13 to 15, 18 and 19 November 2019).

Other **Information**

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

On behalf of the Board
Kohei SATO
Chairman of the Board

20 November 2019

Report on Review of the Interim Condensed Consolidated Financial **Information**

TO THE BOARD OF DIRECTORS OF DYNAM JAPAN HOLDINGS CO., LTD.
(Incorporated in Japan with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 34 to 59, which comprises the interim condensed consolidated statement of financial position of Dynam Japan Holdings Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2019 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information referred to above is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers Aarata LLC

20 November 2019

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Interim Condensed Consolidated Statement of **Profit or Loss**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Note	Six months ended 30 September **2019** ¥ million (unaudited)	2018 ¥ million (unaudited)
Revenue	5	**73,970**	73,583
Hall operating expenses	6	**(61,134)**	(62,452)
General and administrative expenses		**(2,339)**	(2,241)
Other income	7	**4,451**	4,764
Other operating expenses	8	**(906)**	(1,386)
Operating profit		**14,042**	12,268
Finance income	9	**286**	322
Finance expenses	10	**(1,178)**	(179)
Profit before income taxes		**13,150**	12,411
Income taxes	11	**(4,454)**	(4,086)
Net profit for the period		**8,696**	8,325
Attributable to:			
Owners of the Company		**8,691**	8,340
Non-controlling interests		**5**	(15)
		8,696	8,325
Earnings per share			
Basic (expressed in ¥)	17	**11.35**	10.89
Diluted (expressed in ¥)	17	**11.35**	10.89

Interim Condensed Consolidated Statement of **Comprehensive Income**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Note	Six months ended 30 September **2019** ¥ million (unaudited)	2018 ¥ million (unaudited)
Net profit for the period		**8,696**	8,325
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income		**(748)**	139
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		**5**	(6)
		(743)	133
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(614)**	891
		(614)	891
Other comprehensive (loss)/income for the period, net of tax		**(1,357)**	1,024
Total comprehensive income for the period		**7,339**	9,349
Attributable to:			
Owners of the Company		**7,333**	9,364
Non-controlling interests		**6**	(15)
		7,339	9,349

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2019

	Note	At 30 September 2019 ¥ million (unaudited)	At 31 March 2019 ¥ million (audited)
Non-current assets			
Property, plant and equipment	12,13	**95,843**	95,445
Right-of-use assets	2	**80,530**	–
Investment properties		**2,006**	1,351
Intangible assets		**3,083**	3,112
Financial assets measured at fair value through other comprehensive income		**2,891**	3,774
Lease receivables	2	**5,644**	1,254
Deferred tax assets		**15,182**	10,615
Other non-current assets		**7,912**	9,906
		213,091	125,457
Current assets			
Inventories		**3,519**	1,949
Trade receivables	14	**580**	614
Lease receivables	2	**2,168**	81
Prizes in operation of pachinko halls		**4,644**	3,791
Other current assets		**2,390**	5,903
Cash and cash equivalents		**48,140**	47,537
		61,441	59,875
TOTAL ASSETS		**274,532**	185,332
Current liabilities			
Trade and other payables	15	**16,764**	19,297
Borrowings		**1,864**	2,124
Finance lease payables	2	**–**	227
Lease payables	2	**12,572**	–
Provisions		**2,137**	2,013
Income taxes payables		**4,866**	4,310
Other current liabilities		**8,634**	8,481
		46,837	36,452

	Note	At 30 September 2019 ¥ million (unaudited)	At 31 March 2019 ¥ million (audited)
Net current assets		**14,604**	23,423
Total assets less current liabilities		**227,695**	148,880
Non-current liabilities			
Deferred tax liabilities		**8**	8
Borrowings		**2,775**	502
Finance lease payables	2	**–**	353
Lease payables	2	**83,312**	–
Other non-current liabilities		**938**	687
Provisions		**5,562**	5,530
		92,595	7,080
NET ASSETS		**135,100**	141,800
Capital and reserves			
Share capital		**15,000**	15,000
Capital reserve		**12,741**	12,741
Retained earnings		**109,856**	115,204
Other component of equity		**(2,482)**	(1,124)
Equity attributable to owners of the Company		**135,115**	141,821
Non-controlling interests		**(15)**	(21)
TOTAL EQUITY		**135,100**	141,800

Interim Condensed Consolidated Statement of **Changes in Equity**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to equity holders of the Company										
					Other component of equity						
	Share capital	Capital reserve	Treasury shares	Retained earnings	Fair value of financial assets at FVTOCI	Foreign currency translation reserve	Other reserves	Total	Total	Non-controlling interests	Total equity
	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)
At 1 April 2018	15,000	12,741	–	114,106	(5,080)	750	15	(4,315)	137,532	(17)	137,515
Profit for the period	–	–	–	8,340	–	–	–	–	8,340	(15)	8,325
Other comprehensive income for the period	–	–	–	–	133	891	–	1,024	1,024	–	1,024
Transfer to retained earnings	–	–	–	10	–	–	(10)	(10)	–	–	–
Total comprehensive income for the period	–	–	–	8,350	133	891	(10)	1,014	9,364	(15)	9,349
2018 final dividend paid	–	–	–	(4,596)	–	–	–	–	(4,596)	–	(4,596)
Total changes in equity for the period	–	–	–	3,754	133	891	(10)	1,014	4,768	(15)	4,753
At 30 September 2018	15,000	12,741	–	117,860	(4,947)	1,641	5	(3,301)	142,300	(32)	142,268
At 31 March 2019	**15,000**	**12,741**	**–**	**115,204**	**(2,524)**	**1,395**	**5**	**(1,124)**	**141,821**	**(21)**	**141,800**
Cumulative effect of applying new standards and interpretations	**–**	**–**	**–**	**(9,443)**	**–**	**–**	**–**	**–**	**(9,443)**	**–**	**(9,443)**
At 1 April 2019	**15,000**	**12,741**	**–**	**105,761**	**(2,524)**	**1,395**	**5**	**(1,124)**	**132,378**	**(21)**	**132,357**
Profit for the period	**–**	**–**	**–**	**8,691**	**–**	**–**	**–**	**–**	**8,691**	**5**	**8,696**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**(743)**	**(615)**	**–**	**(1,358)**	**(1,358)**	**1**	**(1,357)**
Transfer to retained earnings	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**–**	**8,691**	**(743)**	**(615)**	**–**	**(1,358)**	**7,333**	**6**	**7,339**
2019 final dividend paid	**–**	**–**	**–**	**(4,596)**	**–**	**–**	**–**	**–**	**(4,596)**	**–**	**(4,596)**
Total changes in equity for the period	**–**	**–**	**–**	**4,095**	**(743)**	**(615)**	**–**	**(1,358)**	**2,737**	**6**	**2,743**
At 30 September 2019	**15,000**	**12,741**	**–**	**109,856**	**(3,267)**	**780**	**5**	**(2,482)**	**135,115**	**(15)**	**135,100**

Interim Condensed Consolidated Statement of **Cash Flows**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income taxes	**13,150**	12,411
Adjustments for:		
Finance expenses	**1,178**	179
Finance income	**(286)**	(322)
Depreciation of property, plant and equipment	**5,147**	5,281
Depreciation of right-of-use assets	**5,150**	–
Amortisation of intangible assets	**163**	178
Impairment loss on property, plant and equipment	**120**	278
Impairment loss on right-of-use assets	**191**	–
Loss on disposals and write off of property, plant and equipment	**129**	38
Other adjustments	**17**	38
Operating profit before working capital changes:	**24,959**	18,081
Increase in prizes in operation of pachinko halls	**(853)**	(235)
(Increase)/decrease in inventories	**(1,652)**	377
Decrease in trade receivables	**26**	6
(Increase)/decrease in other non-current assets	**(161)**	295
Decrease in other current assets	**2,152**	735
Increase in lease receivables	**(80)**	(309)
Decrease in trade and other payables	**(2,172)**	(1,228)
Increase in other current liabilities	**156**	772
Increase/(decrease) in other non-current liabilities	**54**	(24)
Increase in current provisions	**125**	122
Cash generated from operations	**22,554**	18,592
Income taxes paid	**(4,099)**	(2,696)
Finance expenses paid	**(997)**	(40)
Net cash generated from operating activities	**17,458**	15,856

Interim Condensed Consolidated Statement of **Cash Flows**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Note	Six months ended 30 September 2019 ¥ million (unaudited)	2018 ¥ million (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,337)**	(3,797)
Proceeds from disposal of property, plant and equipment		**9**	2
Proceeds from disposal of investment properties		**1**	29
Purchase of intangible assets		**(186)**	(50)
Payments for asset retirement obligations		**(19)**	(71)
Purchase of financial assets measured at fair value through other comprehensive income		**(0)**	(1)
Collection of loans receivable		**1**	101
Increase in rental deposits		**(215)**	(106)
Decrease in rental deposits		**101**	146
Finance income received		**216**	283
Other adjustments		**(1)**	3
Net cash used in investing activities		**(8,430)**	(3,461)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**3,992**	1,004
Repayment of bank loans		**(1,961)**	(4,442)
Repayment of leases payables		**(5,497)**	(140)
Dividends paid	16	**(4,596)**	(4,596)
Net cash used in financing activities		**(8,062)**	(8,174)
Effects of exchange rate changes on cash and cash equivalents		**(363)**	167
NET INCREASE IN CASH AND CASH EQUIVALENTS		**603**	4,388
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**47,537**	40,533
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**48,140**	44,921

Notes **to the Interim Condensed Consolidated Financial Information**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL INFORMATION

DYNAM JAPAN HOLDINGS Co., Ltd. (the "Company") was incorporated in Japan under the Companies Act on 20 September 2011. The address of its registered office and principal place of business in Japan are 2-25-1-702 Nishi-Nippori, Arakawa-ku, Tokyo 116-0013, Japan and the principal place of business in Hong Kong is Unit 1, 32/F, Hong Kong Plaza, 188 Connaught Road West, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 August 2012.

The interim condensed consolidated financial information of the Company as of 30 September 2019 consists of the Company and its subsidiaries (the "Group"). The principal activities of the Group are operations of pachinko halls and services subordinated to the operation.

The interim condensed consolidated financial information was approved and authorised for issuance by the Board of Directors on 20 November 2019.

The interim condensed consolidated financial information has been reviewed, but not audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2019 has been prepared in accordance with IAS 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Adoption of new and revised International Financial Reporting Standards

Significant accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2019 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2019 except for the following.

— IAS 28 (Amendment), 'Long-term interests in Associates and Joint Ventures'
— IFRSs (Amendment), 'Annual Improvements to IFRSs 2015–2017 Cycle '
— IFRS 9 (Amendment), 'Prepayment Features with Negative Compensation '
— IFRS 16, 'Leases'
— IFRIC 23, 'Uncertainty over Income Tax Treatments'

These standards, amendments and interpretation apply for the first time in 2019, except for IFRS 16, do not also have a material impact on the interim condensed consolidated financial information of the Group.

2. BASIS OF PREPARATION *(Continued)*

IFRS 16 Leases

IFRS 16, Leases, replaces the standard on accounting for leases, IAS 17 Leases ("IAS 17"), and IFRIC 4 Determining Whether an Arrangement Contains a Lease. It introduces a uniform lease accounting model for lessees, requiring recognition of a right-of-use asset and a liability for all leases with a term of more than 12 months unless such leases are immaterial and eliminates the current requirement for lessees to classify lease contracts as either operating leases or as finance leases. In contrast, the accounting requirements for lessors remain largely unchanged, particularly with regard to the continued requirement to classify leases according to IAS 17.

The Group has assessed whether the contract is, or contains, a lease at inception of a contract. It deems that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has reviewed the following matters in its assessment of whether or not a contract conveys the right to control the use of an identified asset:

- whether the use of an identified asset is included in the contract;
- whether the Group has the right to receive almost all the economic benefits from the use of the asset over the entire period of usage; and
- whether the Group has the right to give instructions on the use of the asset.

The Group has determined the lease term as the non-cancellable period during which the lessee has the right to use the underlying asset, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

(a) Lease as a lessee

(Right-of-use)

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is derived by adjusting the amount of the initial measurement of the lease liability by any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives received. After initial recognition, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use asset is determined in the same way as property, plant and equipment. In addition, the carrying amount of the right-of-use asset is reduced due to impairment losses, which is adjusted at remeasurement of the relevant lease liability.

2. BASIS OF PREPARATION *(Continued)*

IFRS 16 Leases *(Continued)*

(a) **Lease as a lessee** *(Continued)*

(Lease liability)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. The total lease payments included in the measurement of the lease liability comprise the following payments:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if Group is reasonably certain to exercise that option, or lease payments during the option period if Group is reasonably certain to exercise the extension option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are apportioned between the financial cost and the reduction in the lease liability based on the effective interest method. The lease liability will be remeasured if there is any change in future lease payments due to a change in an index or a rate, if there is any change in the amounts expected to be payable under residual value guarantees, or if there is any change in the certainty to exercise the purchase option, the extension option, or the option to terminate the lease.

At reassessment of the lease liability, corresponding adjustment is made to the carrying amount of the right- of-use asset, or if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

(Short-term and low-value leases)

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that has a lease term of 12 months or less and leases for which the underlying asset is of low-value. It recognizes lease payments for these leases as expenses over the lease term on a straight-line basis.

2. BASIS OF PREPARATION *(Continued)*

IFRS 16 Leases *(Continued)*

(b) Lease as a lessor

In cases where the Group is the lessor, it classify each of our leases as either a finance lease or an operating lease at the inception date of the lease. To classify each lease, the Group makes an overall assessment as to whether or not it transfers substantially all of the risks and rewards incidental to ownership of an underlying asset. If it does, a lease is classified as a finance lease. If not, it is classified as an operating lease.

(Finance leases)

Leases that substantially transfer to lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognized as receivables at the amount of the net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognized in the fiscal year to which it is attributable.

(Operating leases)

The Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term.

(Subleases)

In cases where the Group is an intermediate lessor, the head lease and the sublease are accounted for separately.

The classification of a sublease is determined upon referring, not to the underlying asset, but to the right- of-use asset that arise from the head lease.

If the head lease is a short-term lease to be accounted for by applying the provision for exemption as above, the sublease is classified as an operating lease.

In accordance with transitional reliefs for IFRS 16, the Group has recognized the cumulative effect of initial application at the date of initial application (1 April 2019) instead of retrospective application with full restatement for each previous reporting periods. As a practical expedient, the Group has not conducted any reassessment as at the date of initial application as to whether a contract is, or contains, a lease. Therefore, we have applied IFRS 16 to all contracts entered into before 1 April 2019 and identified as a lease based on IAS 17 and the related interpretations . The Group has applied IAS 36 Impairment of Assets to assess the right-of-use assets for impairment at the date of initial application.

The associated right-of-use assets for property leases are measured on a retrospective basis as if the new rules had always been applied, discounted using the incremental borrowing rate at the date of initial application.

Other right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in Consolidated Statement of Financial Position as at 31 March 2019.

2. BASIS OF PREPARATION *(Continued)*

IFRS 16 Leases *(Continued)*

We have exercised the following practical expedients at the application of IFRS 16 to leases previously classified as operating leases under IAS 17:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- recognition exemption of short-term leases and leases for which the underlying asset is of low value; and
- use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

For leases classified as finance leases under IAS 17, the carrying amounts of the right-of-use assets and lease liabilities at the date of initial application are deemed to be the carrying amounts of the lease assets and liabilities measured under IAS 17 on the immediately preceding day.

IFRS 16 has a material effect on the Group's consolidated financial statements, particularly on the presentation of the financial position, profit before income tax and cash flows from operating activities as follows:

Consolidated Statement of Financial Position:

For non-cancellable operating lease agreements disclosed as of 31 March 2019 applying IAS 17, the following adjustments were made between the amount discounted at the incremental borrowing rate as of the date of initial application and the amount of lease liabilities recognized in the interim condensed consolidated statement of financial position at the date of initial application:

	(Millions of yen)
Operating lease contracts disclosed at end of the previous fiscal year	3,127
Amount discounted using incremental borrowing rate at the date of initial application	2,915
Finance lease liabilities recognized at end of the previous fiscal year	580
Present discounted value of cancelable operating lease contracts (note)	90,944
Recognition exemption rules	
Short-term leases	(102)
Leases of low-value assets	(5)
Lease liabilities at the date of initial application	94,332

Note: The directors of the Company consider the Group is reasonably certain to exercise the extension option in the lease contract at 1 April 2019.

2. BASIS OF PREPARATION *(Continued)*

IFRS 16 Leases *(Continued)*

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

Right-of-use assets recognized upon application of IFRS16:

	1 April 2019 ¥ million (unaudited)
Reclassification from rental prepayment	**3,547**
Reclassification from finance lease assets incurred in property, plant and equipment and intangible assets	**382**
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	**75,430**
Total	**79,359**

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019 ¥ million (unaudited)	1 April 2019 ¥ million (unaudited)
Properties	**80,021**	78,840
Tools and equipment	**235**	357
Motor vehicles	**82**	72
Others	**192**	90
Total right-of-use assets	**80,530**	79,359

In addition of right-of-use assets and lease liabilities stated above, the change in the accounting policy mainly affected lease receivables increasing by ¥5,651 million and net impact on retained earnings on 1 April 2019 decreasing by ¥9,443 million on Consolidated Statement of Financial Position.

Consolidated Statement of Profit or Loss:
Profit before income tax increased by ¥289 million on Condensed Consolidated Statement of Profit or Loss.

Consolidated Statement of Cash Flows:
Cash flows from operating activities increased by ¥5,403 million and, in contrast, cash flows from financing activities decreased by the same amount on Consolidated Statement of Cash Flows.

The weighted average of the lessee's incremental borrowing rate applied to lease liabilities recognized at the date of initial application of IFRS 16 is approximately 2.1%.

2. BASIS OF PREPARATION *(Continued)*

New standards, amendments to existing standards and interpretations that are published but have not yet been adopted by the Group

The new standards, amendments to existing standards and interpretations have been published before the approval date of the interim condensed consolidated financial information, but the Group has not early adopted are as follows. The impact to the interim condensed consolidated financial information through adoption is still under investigation and it is difficult to estimate at this moment.

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 3	Business Combinations	1 January 2020	31 March 2021	Clarification of the definition of a business
IAS 1	Presentation of Financial Statements	1 January 2020	31 March 2021	Clarification of the definition of materiality
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020	31 March 2021	Clarification of the definition of materiality

3. USE OF ESTIMATES AND JUDGEMENTS

In the preparation of the Group's interim condensed consolidated financial information, management is required to make estimates, judgments and assumptions about the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods, if the revision affects both current and future periods.

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial information are the same as those of the consolidated financial information for the year ended 31 March 2019, with the exception that income taxes in the interim periods are calculated based upon the tax rate that would be applicable to estimated annual earnings.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of financial assets and liabilities are as follows:

	At 30 September 2019 ¥ million (unaudited)		At 31 March 2019 ¥ million (audited)	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets measured at FVTOCI	**2,891**	**2,891**	3,774	3,774
Financial assets measured at amortised cost				
Receivables (including cash and cash equivalents)	**49,610**	**49,610**	50,273	50,273
Rental deposits	**6,258**	**6,734**	6,273	6,719
Lease receivables	**7,812**	**7,812**	1,335	1,335
Total	**66,571**	**67,047**	61,655	62,101
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade payables and other financial liabilities	**8,525**	**8,525**	9,447	9,447
Borrowings	**4,639**	**4,639**	2,626	2,626
Lease payables	**95,884**	**95,884**	580	580
Total	**109,048**	**109,048**	12,653	12,653

4. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets and liabilities into the three levels prescribed under the accounting standards.

An explanation of each level at the fair value hierarchy is as follows:

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access on the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.

The fair value of financial instruments traded in active markets is based on quoted market prices on the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices present actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed equity securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where they are available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Other investments categorised as level 3 mainly consist of unlisted equity securities in inactive markets.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Recognised fair value measurements

Financial assets and financial liabilities measured and recognised at fair value on a recurring basis are as follows:

At 30 September 2019	**Fair value measurements using:**			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	¥ million	**¥ million**	**¥ million**	**¥ million**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	**1,510**	**–**	**–**	**1,510**
Listed securities in Japan	**508**	**–**	**–**	**508**
Others	**–**	**–**	**873**	**873**
Total	**2,018**	**–**	**873**	**2,891**

At 31 March 2019	Fair value measurements using:			
Description	Level 1	Level 2	Level 3	Total
	¥ million	¥ million	¥ million	¥ million
	(audited)	(audited)	(audited)	(audited)
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	2,371	–	–	2,371
Listed securities in Japan	525	–	–	525
Others	–	–	878	878
Total	2,896	–	878	3,774

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the reporting period.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of net asset value method
- The use of quoted market prices or dealer quotes for similar instruments
- The use of discounted cash flow analysis

All of the resulting fair value estimate are included in level 3.

(d) Fair value measurements using significant unobservable inputs (level 3)

Changes in level 3 for the six months ended 30 September 2019 and 2018 were as follows:

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Balance at beginning of the period	**878**	867
Loss/Gain in other comprehensive income	**(5)**	15
Purchases	**–**	1
Balance at end of the period	**873**	883

(e) Valuation process

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements.

Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For levels 3 fair value measurements, the Group engages external, independent and qualified valuers to determine the fair value of the Group's financial instruments.

5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group has carried on a single business geographical location, which is the operations of pachinko halls and those related services in Japan, and all the assets are principally located in Japan. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

The Group's customer base is diversified and there are no customers with whom transactions have exceeded 10% of the Group's revenue.

REVENUE

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Gross pay-ins	**379,269**	386,840
Less: Gross payouts	**(305,299)**	(313,257)
Revenue	**73,970**	73,583

6. HALL OPERATING EXPENSES

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Advertising expenses	**1,697**	2,154
Cleaning and ancillary services	**1,903**	1,938
Depreciation expenses	**5,014**	5,187
Hall staff costs	**24,536**	24,894
Pachinko and pachislot machine expenses	**13,174**	11,348
Depreciation expenses of right-of-use assets	**5,120**	–
Rental expenses	**87**	6,331
Repair and maintenance expenses	**1,667**	1,999
Utilities expenses	**3,062**	3,333
Others	**4,874**	5,268
	61,134	62,452

Notes **to the Interim Condensed Consolidated Financial Information**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

7. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Commission from vending machines and in-store sales	**2,415**	2,334
Income from forfeiture of customer's membership cards	**105**	110
Income from catering services	**481**	406
Sales revenue from property held for sale	**26**	53
Revenue from finance leases	**334**	480
Revenue from aircraft leases	**82**	–
Net gains on disposals of used machines	**142**	104
Rental income	**324**	430
Insurance income	**–**	463
Others	**542**	384
	4,451	4,764

8. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Disposal cost of non-financial assets	**143**	39
Impairment loss of non-financial assets	**311**	279
Cost of sales of property held for sale	**5**	31
Cost of sales of finance leases	**107**	291
Cost of aircraft leases	**86**	–
Rental expenses	**75**	157
Loss on disaster	**–**	445
Others	**179**	144
	906	1,386

9. FINANCE INCOME

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Bank interest income	**117**	9
Finance leases interest income	**81**	40
Dividend income	**18**	230
Others	**70**	43
	286	322

10. FINANCE EXPENSES

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Interest expenses	**40**	61
Amortisation of syndicated bank loan charges	**42**	51
Foreign exchange loss, net	**97**	22
Interest on lease liabilities	**957**	–
Others	**42**	45
	1,178	179

11. INCOME TAXES

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Current taxes	**4,657**	4,239
Deferred taxes	**(203)**	(153)
	4,454	4,086

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired aircraft of ¥4,632 million (2018: nil) related to the initiation of aircraft leasing business.

As a result, during the six months ended 30 September 2019, the Group acquired property, plant and equipment of ¥7,892 million (2018: ¥3,752 million).

13. CAPITAL COMMITMENTS

The commitments at the end of the reporting period are as follows:

	At 30 September 2019	At 31 March 2019
	¥ million	¥ million
	(unaudited)	(audited)
Capital commitment for purchase of property, plant and equipment	**6,117**	11
	6,117	11

14. TRADE RECEIVABLES

The Group's credit terms generally range from 1 to 30 days for those trade receivables. The aging analysis of the trade receivables, based on invoice date, is as follows:

	At 30 September 2019 ¥ million (unaudited)	At 31 March 2019 ¥ million (audited)
1 to 30 days	**479**	504
31 to 60 days	**27**	31
Over 60 days	**74**	79
	580	614

15. TRADE AND OTHER PAYABLES

	At 30 September 2019 ¥ million (unaudited)	At 31 March 2019 ¥ million (audited)
Trade payables	**1,297**	1,465
Halls construction and system payables	**727**	1,681
Other tax expenses	**1,926**	3,144
Pachinko and pachislot machine payables	**3,230**	2,192
Accrued staff costs	**7,732**	8,689
Advertisement and promotions	**187**	297
Housing rent	**204**	223
Others	**1,461**	1,606
	16,764	19,297

Notes **to the Interim Condensed Consolidated Financial Information**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

15. TRADE AND OTHER PAYABLES *(Continued)*

The aging analysis of the trade payables, based on invoice date, is as follows:

	At 30 September 2019 ¥ million (unaudited)	At 31 March 2019 ¥ million (audited)
1 to 30 days	**1,237**	1,401
31 to 60 days	**22**	6
Over 60 days	**38**	58
	1,297	1,465

16. DIVIDENDS

During the six months ended 30 September 2019 and 2018, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

	Six months ended 30 September			
	2019		2018	
Dividends declared and paid/payable to its shareholders by:	**Dividend per share ¥**	**Total Dividends ¥ million (unaudited)**	Dividend per share ¥	Total Dividends ¥ million (unaudited)
Final dividend paid	**6.00**	**4,596**	6.00	4,596
		4,596		4,596

On 20 November 2019, the Board of Directors declared an interim dividend of ¥6.00 per ordinary share of the Company, which is payable on 10 January 2020 to the shareholders of the Company.

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share	**8,691**	8,340
Weighted average number of shares	**765,985,896**	765,985,896
Basic earnings per share (¥)	**11.35**	10.89

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2019 and 2018 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2019 and 2018.

Definitions

In this Interim Report (other than the Report on Review of the Interim Condensed Consolidated Financial Information), unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Beijing GEO" 北京 GEO社	Beijing GEO Coffee Co., Ltd., a company incorporated in the People's Republic of China with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
"Business Partners" ビジネスパートナーズ	Business Partners Co., Ltd., a stock company incorporated in Japan with limited liability. Business Partners is a wholly-owned subsidiary of the Company
"Cabin Plaza" キャビンプラザ	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
"Dynam" ダイナム	DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company
"Dynam Aviation" ダイナムアビエーション	Dynam Aviation Ireland Limited., a company incorporated in Ireland with limited liability. Dynam Aviation is a wholly-owned subsidiary of the Company
"Dynam Business Support" ダイナムビジネスサポート	Dynam Business Support Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam Business Support is a wholly-owned subsidiary of the Company
"Dynam Hong Kong" ダイナム香港	Dynam Hong Kong Co., Ltd., a stock company incorporated in Hong Kong with limited liability. Dynam Hong Kong is a wholly-owned subsidiary of the Company
"Erin International" エリンインターナショナル社	Erin International Co., Ltd., a company incorporated in Mongolia with limited liability. Erin International is held as to 87.61% by the Company through Dynam Hong Kong
"Genghis Khan" チンギスハーン旅行	Genghis Khan Travel Co., Ltd., a stock company incorporated in Japan with limited liability. Genghis Khan is held as to 100% by the Company through Dynam Business Support
"Japan Real Estate" ジャパンリアルエステイト	Japan Real Estate Co., Ltd., a stock company incorporated in Japan with limited liability. Japan Real Estate is held as to 100% by the Company through Yume Corporation
"Kanto Daido" 関東大同販売	Kanto Daido Selling Co., Ltd., a stock company incorporated in Japan with limited liability. Kanto Daido is held as to 100% by the Company through Dynam Business Support
"Nihon Humap" 日本ヒュウマップ	Nihon Humap Co., Ltd., a stock company incorporated in Japan with limited liability. Nihon Humap is a wholly-owned subsidiary of the Company
"P Insurance" ピーインシュアランス	P Insurance Co., Ltd., a stock company incorporated in Japan with limited liability. P Insurance is held as to 100% by the Company through Dynam Business Support
"Rich-O Korea" リッチオコリア社	Rich-O Korea Co., Ltd., a company incorporated with limited liability in South Korea. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
"Yume Corporation" 夢コーポレーション	Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company

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DYNAM JAPAN HOLDINGS Co., Ltd.*