Annual Report 2020

DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

Stock Code: 06889

* For identification purpose only

DYNAM JAPAN HOLDINGS Co., Ltd.

Annual Report 2020

C o n t e n t s

BOARD OF DIRECTORS

Non-executive Directors

Yoji SATO *(Senior Corporate Advisor of the Board)*
Tatsuji FUJIMOTO
Noriaki USHIJIMA
Kohei SATO *(Re-designation from executive Director to non-executive Director, 27 April 2020)*

Independent Non-executive Directors

Ichiro TAKANO
Mitsutoshi KATO
Thomas Chun Kee YIP
Kei MURAYAMA
Kiyohito KANDA

* Makoto SAKAMOTO has been appointed as the Chief Executive Officer on 27 April 2020

COMMITTEES

Audit Committee

Ichiro TAKANO *(Chairman)*
Thomas Chun Kee YIP
Kiyohito KANDA

Remuneration Committee

Mitsutoshi KATO *(Chairman)*
Kohei SATO *(Resignation, 27 April 2020)*
Kei MURAYAMA
Tatsuji FUJIMOTO *(Appointment, 27 April 2020)*

Nomination Committee

Mitsutoshi KATO *(Chairman)*
Kohei SATO *(Resignation, 27 April 2020)*
Kei MURAYAMA
Tatsuji FUJIMOTO *(Appointment, 27 April 2020)*

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
Auditor	PricewaterhouseCoopers Aarata LLC *(Certified Public Accountant)*
Principal Bankers	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation

We will continue to challenge toward attaining our vision and aim to establish further development and stable business foundation.

First of all, I would like to express my heartfelt appreciation to all of the Group's trusted associates, including our Shareholders and other stakeholders, for their continuous support and understanding for the Group's business.

By significant cost reduction, operating profit of ¥21,514 million was recorded for the fiscal year ended 31 March 2020, recorded an increase of ¥2,172 million, or 11.2%, year on year, in spite of revenue decreasing in a reflection of the harsh operating environment and the impact of the novel coronavirus inflectious disease that occurred in the second half of the year.

The Group's business has also suffered from the influence of prevalent novel coronavirus infection in many areas of the world and the number of customers in the pachinko halls has been decreasing from the end of the period. In addition, the Group has also been closing some halls and shortening business hours by request from municipal governments in some areas. Though the Group hopes that the business recovers as early as possible, the Group considers that the social responsibility to control spreading of this infection should be the first priority and will make maximum efforts to provide a game space where customers can feel secure.

In addition, all pachinko halls of our industry started no smoking rule inside halls pursuant to the legal revision on 1 April 2020. The Group hopes that the change of playing environment such as smoking area separation inside halls and lowering of high volatility in pachinko machines might enable us to acquire new customers. The Group thinks it is the nature of pachinko operation and the mission of the Group that all the Group's employees stand on the viewpoint of customers and provide a time and space they can smile and enjoy heartily. The Group would like to realize the Group's growth by challenging continuously to attain the vision that we will reform pachinko gaming into daily amusement anyone can enjoy easily.

Furthermore, the Group entered aircrafts' leasing business with prospect of relatively stable earnings since last year. The Group purchased three narrow body aircrafts with high popularity in the market and started to lease them to the airline companies. The Group would like to continue to raise its contribution degree to the performance.

The chief executive officer of the Company changes on 27 April 2020 and the new management is taking over the operation. Though the business environment is more difficult than before, the entire Group will make efforts to meet our trusted associates' expectation. We appreciate your continuous understanding and support for the Group's business.

This year will mark the ninth year since our Shares were listed on the Main Board of the Hong Kong Stock Exchange in August 2012.

Chief Executive Officer

Makoto Sakamoto

We will continue to increase corporate value while aiming to be indispensable to local communities (local infrastructure) and continuing to improve value for all trusted associates.

Philosophy Structure

The Group engages in ESG with the idea of achieving sustainable growth based on its corporate philosophy entailing "a centurial commitment to building trust and encouraging dreams." We believe promoting ESG is the embodiment of this 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 it 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

- Principle of Customers First
- Training of Human Resources
- Information Disclosure
- Social Contribution
- Chain Store Management

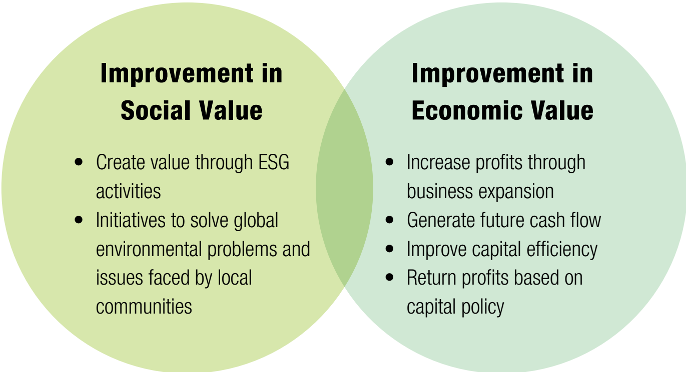
Three Principles of Actions

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.

Charter of Corporate Behavior

The reason for existence of a company is to achieve sustainable growth in line with the expectations of stakeholders, including Shareholders, managers, employees, partners, financial institutions and customers, and to grow to a certain scale and level of reliability that enable it to contribute to society. All employees of the Group share this principle.
The Group names the stakeholders described above "trusted associates". We are committed to strengthening our relationship with these partners through our business activities, so that we can grow based on a far-reaching vision. As it grows, the Group will consistently fulfill the roles expected of it by each stakeholder, to ensure that the trust from the stakeholder also grows.
Trust, however, is fragile, and even a momentary lapse of focus can damage it forever. To ensure that it can continue to conduct its business without compromising that trust, the Group has adopted new internal control systems to improve its operations. These systems also clarify and eliminate factors that have the potential to lead to misconduct or violations of laws and regulations.
All of the Group's employees, including those that work in the field, constantly take initiatives with full knowledge that such actions help to improve their operations. Through these initiatives, each member strongly believes that the Group can achieve stronger operating results and contribute to society more effectively.

Improvements in Both Social Value and Economic Value through ESG



Continuing to create value for trusted associates through ESG activities provides some assistance to resolving global environment problems and issues faced by local communities, and through corporate activities that fulfill responsibilities regarding sustainable urban development, enabling business growth and leading to the enhancement of unified corporate value. The Group aims for sustainable growth by improving both social value and economic value at the same time.

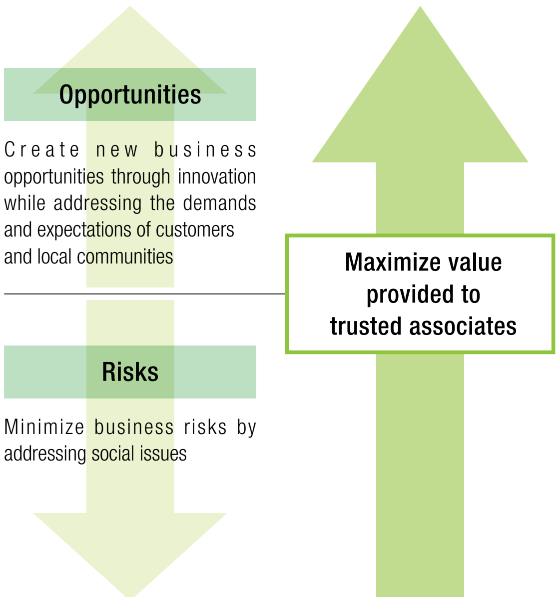
Social Contribution and Local Commitment

Pachinko experience at nursing care facilities

Disaster recovery support

Management of Risks and Opportunities

Companies have an impact on society in various ways as a result of their business activities. We see business opportunities for long-term growth from the positive impact we can have on solving problems in local communities, such as the health benefits of playing pachinko in preventing dementia, and ideas for new types of pachinko halls. We understand there are risks that threaten business growth, including the negative impact of gaming addiction. While monitoring and properly managing these risks and opportunities, we aim to maximize the value we provide to trusted associates.



The ESG report 2020 will be published no longer than three months after the publication of this annual report.

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.

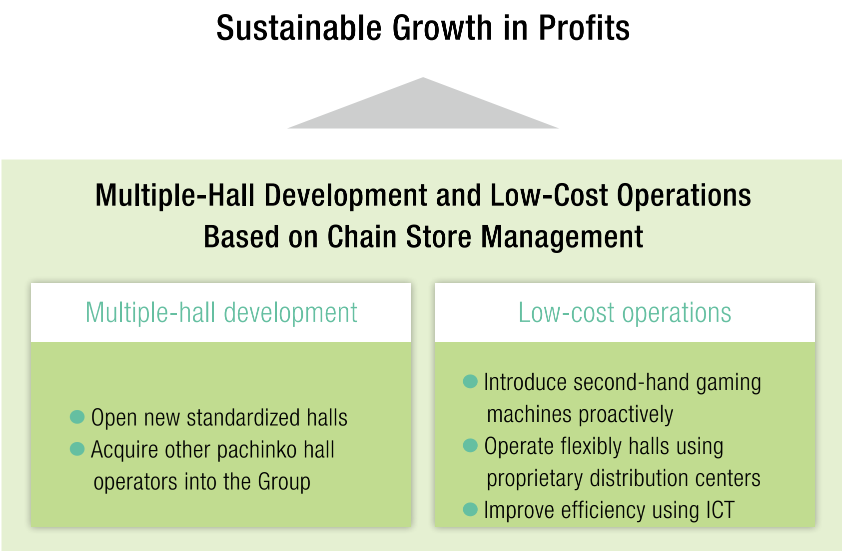
Therefore, the Group practices chain store management as one of its management policies.

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.

The Company is a holding company which directly holds shares of 3 pachinko hall operators including Dynam and 5 other subsidiaries with other businesses. The Group operates pachinko hall business as its core business and has the largest pachinko hall chain in Japan with

DYJH **The Company**

Pachinko Hall Business

Dynam

Operates under three business names across Japan as forms of everyday entertainment: DYNAM (high playing cost halls), DYNAM Yuttari Kan and DYNAM Shinrai no Mori (low playing cost halls).

Yume Corporation

Yume Corporation was acquired into the Group in November 2015. They have been conducting chain store management since its establishment just like Dynam. Yume Corporation operates 35 halls under the Yumeya brand in Japan.

Cabin Plaza

Cabin Plaza was created from the merger of subsidiaries of the Company in April 2013. It operates 8 halls under the names of Cabin Plaza and Yasumi Jikan.

448 halls as of 31 March 2020.

As at 31 March 2020

Profiles of Subsidiaries

Other Businesses that Support Group Management

Dynam Aviation

Dynam Aviation was incorporated to enter the aircraft leasing business with high growth potential. Main business is operating leases focusing on the popular narrow-body aircraft in the market.

Dynam Business Support

Dynam Business Support supports the entire Group by managing real estate owned by the Group. They also undertake administrative duties including payrolls and accounting. Furthermore, they deal with gaming machines.

Nihon Humap

Nihon Humap operates restaurants near pachinko halls and large spaghetti restaurants, manages the cleaning of the Group's pachinko halls, and engages in real estate management, trade and financial operations.

Business Partners

Business Partners is a special subsidiary which set up to employ people with disabilities. There are employees with disabilities working on cleaning office buildings as well as making and selling bags, small items and other miscellaneous items.

Dynam Hong Kong

Dynam Hong Kong is a subsidiary in Hong Kong established for the purpose of investment, management and development of the Group's overseas business, centered in Asia. The company investigates and promotes new business in Asian markets with remarkable growth.

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.

BUSINESS ENVIRONMENT

Nowadays, the percentage of operating lease in the world's aircraft exceeds about 40%, and it is expected that the number of leased aircraft will increase at an accelerated pace in response to the increase in the number of aircraft in the world. Although the aviation industry has been hard by coronavirus, it is expected that the pace of growth will recover in the medium term as global aircraft demand recovers.

BUSINESS PLAN

The Company incorporated a subsidiary in Ireland, Dynam Aviation, in 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 during the initial three years.

RECENT ACTIVITIES

There were three aircrafts purchased during the Reporting Period, all of which are Airbus A320 families.

Airbus A321-200N (NEO)
1

Airbus A320-200N (NEO)
1

Airbus A320-200
1

Fleet (As at 31 March 2020)

- Number of aircraft: 3 (A321-200N (NEO): 1, A320-200N (NEO): 1, A320-200: 1)
- Average age: 1.2 year
- Average remaining lease period: 5.5 years

CORPORATE GOVERNANCE

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board believes that such commitment will in the long term serve to enhance the Shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all applicable code provisions set out in the Code except for the following deviations.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting (the "**AGM**") should be sent to the shareholders at least 20 clear business days before the meeting. The AGM for the year ended 31 March 2019 was held on 20 June 2019, while the AGM notice was dispatched on 29 May 2019. The above arrangement complies with the Articles of Incorporation in respect of the minimum notice period of 21 days but the AGM notice period is less than 20 clear business days before the AGM.

Under the Companies Act and the Articles of Incorporation, the Company was 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 the notice for the AGM to be dispatched together with the audited financial statements under 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 IFRS as required under the Listing Rules. As a result, more time was required to finalize the annual report which accompanies the AGM notice to be dispatched to the Shareholders.

The AGM for the Reporting Period will be held on 24 June 2020 and its notice will be dispatched on 2 June 2020, which will not satisfy the minimum notice period as required by the code provision E.1.3, for the same reason as stated in the preceding paragraph.

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. Throughout the Reporting Period, the roles of the chairman and chief executive were performed by the same individual, Mr. Kohei SATO, and were not separated.

However, the Board believes that Mr. Kohei SATO, in his dual capacity as the chairman of the Board and chief executive, provided strong and consistent leadership for the development of the Company and its subsidiaries, and this was beneficial and in the interests of the Company and the Shareholders. Further, the Board considers that a balance of power and authority was ensured by the Board composition during the Reporting Period, with over half of the Board members being independent non-executive Directors.

Mr. Kohei SATO resigned as chairman of the Board with effect from 27 April 2020 and Mr. Tatsuji FUJIMOTO has been appointed as chairman of the Board on 27 April 2020. Mr. Kohei SATO also resigned as chief executive officer on 27 April 2020 and Mr. Makoto SAKAMOTO has been appointed as chief executive officer on the same day.

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 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 at 1 April 2014 for Directors (last revised on 27 February 2020), executive officers and employees of the Company who are likely to have access to unpublished inside information of the Group. The Company has made specific enquiries to all of the Directors, and all 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.

THE BOARD OF DIRECTORS

The Board is collectively responsible for the management and operations of the Company, setting fundamental business strategies and policies for the management and operation of the Group's business and monitoring their implementation. It is accountable to the Shareholders for its performance and activities and is the ultimate decision making body of the Group except for those matters that are reserved for approval by Shareholders in accordance with the Articles of Incorporation, the Listing Rules and other applicable laws and regulations.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times.

The running of the day-to-day businesses of the Company is delegated by the Board to the chief executive and other executive officers except that authority is reserved for the Board to approve fundamental business strategies and policies, and all important matters such as interim and annual financial statements, dividend policy, annual budgets, business plans, internal control system, material transactions and other significant operational matters. The delegated functions and responsibilities are periodically reviewed. The executive officers are responsible for contributing to the success of the implementation of the policies laid down by the Board in connection with the conduct of the businesses of the Group. The executive officers are being held accountable for reporting to the Board more than once in every three months.

The Board currently consists of nine Directors, comprising four non-executive Directors and five independent non-executive Directors. Pursuant to the Articles of Incorporation, each of the non-executive Directors and independent non-executive Directors was appointed for a term of one year at the AGM of the Company held in June 2019, except Mr. Kohei SATO, who was re-designated from executive Director to non-executive Director, with effect from 27 April 2020. The term of office of a Director shall expire at the end of the next AGM to be held after his appointment. Directors may serve any number of consecutive terms.

The Directors have no financial, business, family or other material/relevant relationships with each other, except that Mr. Yoji SATO, a non-executive Director, is a brother of Mr. Kohei SATO, a non-executive Director.

During the Reporting Period, 13 Board meetings and 1 Shareholders' meeting were held and the attendance of each Director is set out as follows:

Number of meetings held/attended		
	Number of attendance	
Name of Director	**Board meetings**	**Shareholders' meetings**
Executive Director		
Mr. Kohei SATO (Chairman of the Board)(1)	13/13	1/1
Non-executive Director		
Mr. Yoji SATO	13/13	1/1
Mr. Tatsuji FUJIMOTO(2)	13/13	1/1
Mr. Noriaki USHIJIMA	13/13	1/1
Independent Non-executive Director		
Mr. Ichiro TAKANO	13/13	1/1
Mr. Mitsutoshi KATO	13/13	1/1
Mr. Thomas Chun Kee YIP	13/13	1/1
Mr. Kei MURAYAMA	13/13	1/1
Mr. Kiyohito KANDA	13/13	1/1

Notes:

(1) Mr. Kohei SATO resigned as chairman of the Board and chief executive officer with effect from 27 April 2020 and was re-designated to a non-executive Director on 27 April 2020.

(2) Mr. Tatsuji FUJIMOTO was appointed as chairman of the Board on 27 April 2020.

DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The purpose of the code provision is to get the Directors involved in the Board with an awareness of contribution thereto. The Company has arranged in house trainings for Directors in the form of attending seminars and reading materials. A summary of training received by Directors for the Reporting Period according to the records provided by the Directors is as follows:

Name of Directors	Training on corporate governance, regulatory development and other relevant topics
Mr. Kohei SATO	✓
Mr. Yoji SATO	✓
Mr. Tatsuji FUJIMOTO	✓
Mr. Noriaki USHIJIMA	✓
Mr. Ichiro TAKANO	✓
Mr. Mitsutoshi KATO	✓
Mr. Thomas Chun Kee YIP	✓
Mr. Kei MURAYAMA	✓
Mr. Kiyohito KANDA	✓

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "**Audit Committee**") in accordance with the requirements of the Listing Rules. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ichiro TAKANO (chairman), Mr. Thomas Chun Kee YIP and Mr. Kiyohito KANDA.

The primary duties of the Audit Committee are to formulate the audit policy and audit plan, to audit the execution by Directors and executive officers of their respective duties and prepare the Audit Committee's reports, to review the financial information and the auditor's reports and review the reports made by the internal audit team of the Group, to oversee the financial reporting process, risk management and internal control systems, and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee met 15 times during the Reporting Period. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Ichiro TAKANO	15/15
Mr. Thomas Chun Kee YIP	15/15
Mr. Kiyohito KANDA	15/15

To summarize the work performed by the Audit Committee during the Reporting Period, the Audit Committee had (1) reviewed the audited consolidated financial statements for the year ended 31 March 2019 and the unaudited interim financial statements for the six month ended 30 September 2019; (2) reviewed risk management and internal control system of the Group; and (3) reviewed and approved the remuneration and terms of engagement of the Company's auditor, and made recommendations to the Board and the Shareholders on the re-appointment of the Company's auditor.

REMUNERATION COMMITTEE

The Company has established the remuneration committee of the Company (the "Remuneration Committee") in accordance with the requirements of the Code. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one non-executive Director, namely Mr. Tatsuji FUJIMOTO. Mr. Kohei SATO resigned as a member of the Remuneration Committee, with effect from 27 April 2020, and Mr. Tatsuji FUJIMOTO was appointed on the same date.

Main duties of the Remuneration Committee are to evaluate the performance of all Directors and senior management of the Company, and determine the remuneration packages of all Directors and other senior management.

The Remuneration Committee met 5 times during the Reporting Period. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Kohei SATO (replaced by Mr. Tatsuji FUJIMOTO on 27 April 2020)	5/5
Mr. Mitsutoshi KATO	5/5
Mr. Kei MURAYAMA	5/5

To summarize the work performed by the Remuneration Committee during the Reporting Period, the Remuneration Committee had (1) reviewed and determined the remuneration packages of Directors and other senior management of the Company; and (2) reviewed and determined the bonus and remuneration packages of Directors and other senior management of the Company.

Details of the Directors' remuneration are set out in note 51 to the Financial Statements in this report.

In addition, pursuant to the code provision B.1.5 of the code, the annual remuneration of other members of the senior management by bands for the Reporting Period is set out below:

Remuneration bands	Number of individuals
HK$300,001 to HK$500,000 (equivalent to ¥4,209,014 to ¥7,015,000)	0
HK$500,001 to HK$1,000,000 (equivalent to ¥7,015,014 to ¥14,030,000)	0
HK$1,000,001 to HK$2,000,000 (equivalent to ¥14,030,014 to ¥28,060,000)	3
HK$2,000,001 to HK$4,000,000 (equivalent to ¥28,060,014 to ¥56,120,000)	2

NOMINATION COMMITTEE

The Company has established the nomination committee of the Company (the "**Nomination Committee**") in accordance with the requirements of the Code. The Nomination Committee currently consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one non-executive Director, namely Mr. Tatsuji FUJIMOTO. Mr. Kohei SATO resigned as a member of the Nomination Committee, with effect from 27 April 2020, and Mr. Tatsuji FUJIMOTO was appointed on the same date.

The primary duties of the Nomination Committee are (1) to review the structure, size and composition of the Board; (2) to formulate, review and amend the nomination policy of Directors (the "**Nomination Policy**") and to identify individuals suitably qualified to become Board members; (3) to make recommendations to the Shareholders on the appointment or re-appointment of the Directors; (4) assess the independence of independent non-executive Directors; and (5) to review and amend the board diversity policy the Company has in place (the "**Diversity Policy**").

The Nomination Committee met 3 times during the Reporting Period. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Kohei SATO (replaced by Mr. Tatsuji FUJIMOTO on 27 April 2020)	3/3
Mr. Mitsutoshi KATO	3/3
Mr. Kei MURAYAMA	3/3

To summarize the work performed by the Nomination Committee during the Reporting Period, the Nomination Committee (1) reviewed the structure, size and composition of the Board; (2) reviewed the re-appointment of Directors with recommendations to the Shareholders for their approval at the AGM held in June 2019; (3) reviewed and recommended the appointment and re-appointment of directors and other officers of our Group (other than the Company); (4) reviewed the existing Nomination Policy and Diversity Policy, and (5) assessed the independence of independent non-executive Directors. The Nomination Committee has reviewed the structure of the Board and confirmed that there is an appropriate balance of Board diversity.

The Company has the Diversity Policy in place. The policy aims to set out the approach to achieve diversity in the Board to enhance the effectiveness of the Board and achieve a sustainable development of the Company. Selection of candidates for Directors will be based on meritocracy, and candidates will be considered by objective criteria, having due regard for the benefits of diversity on the Board. Candidates will not be discriminated on the grounds of gender, age, cultural and educational background, ethnicity, religious or philosophical belief, etc. As at the date of this annual report, the Board comprises nine Directors. Five Directors are independent non-executive Directors, thereby promoting critical review and control of the management process.

The Company has in place the Nomination Policy which sets out the criteria, process and procedures for the Nomination Committee to recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. According to the selection criteria of the Nomination Policy, the Nomination Committee identifies and evaluates a candidate based on the merit and the following considerations: (i) the Diversity Policy; (ii) the expected contribution the candidate would add to the Board and to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business; (iii) the time and attention that the candidate or the re-elected Director would be able to commit and devote to the Company's affairs; (iv) the level of independence from the Company; and (v) other relevant factors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties including:

- to develop and review the Company's policy and practices on corporate governance, and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the corporate governance report.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Directors recognize the responsibility for preparing the consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. A statement by the Company's auditors in respect of their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report".

RISK MANAGEMENT, INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

The Board is responsible for making the risk management and internal control systems and monitoring their effectiveness.

The Company defines a basic framework of the risk management and internal control systems and the risk information in "DYJH Fundamental Policy of Internal Control" (the "**Internal Control Policy**"). The Group Risk Management Committee, being established based on the Internal Control Policy, puts the risk information together and analyzes them to take measures for the risk management.

Under the Companies Act, the internal control involves the risk management. The Group Risk Management Committee is located as a subordinate organization of the Group Internal Control Committee. The Group Risk Management Committee reports its activities to the Group Internal Control Committee every month and, the Group Internal Control Committee will then report its activities to the Audit Committee every month. The Board reviews the effectiveness of the risk management and internal control systems through the report by the Audit Committee once a year.

Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

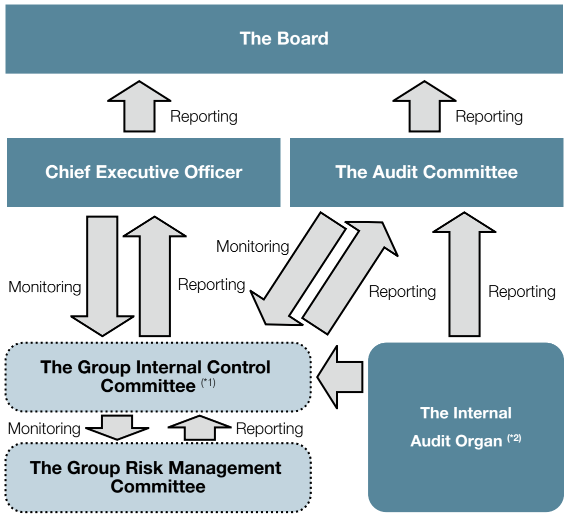
The Group regularly carries out internal audits and has in place the whistleblower system to avoid material internal control defects.

In addition, the Group lays down the procedures and internal controls for the handling and dissemination of inside information in "The Code of Conduct for Prevention of Insider Trading". Undisclosed information is integrated by the chief information controller and disclosed at a proper timing. The Group regularly educates all employees how to handle inside information.

The senior management have developed operational guidelines on anti-money laundering measures and evaluated the measures for effectiveness on a regular basis. These measures enable us to detect irregularities and unusual trends in the transactions that take place in the Group's pachinko halls which, if detected, are reported to the senior management for investigation and remediation. In addition, the hall staffs are educated to detect irregular customer activities, particularly those involving large amounts of cash.

The Company recognizes that the review of the effectiveness of the risk management and internal control systems has been conducted and working effectively and adequately for the Reporting Period.

Structure of risk management and internal control systems



Description of the system

The Board, through the Group Internal Control Committee and the Audit Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems.

*1 Under the Companies Act, "Internal Control" is defined as the concept which involves risk management. Therefore, "The Group Internal Control Committee" above is also in charge of risk management.

*2 The Company entrusts internal audits to the audit department of Dynam.

AUDITOR'S REMUNERATION

The Company's external auditor is PricewaterhouseCoopers Aarata LLC. During the Reporting Period, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	¥ million	HK$ million[3]
Audit services[1]	99	7.1
Non-audit services[2]	3	0.2
Total fees	102	7.3

Notes:

(1) Audit services in connection with the audit of the financial statements of the Company and its subsidiaries for the Reporting Period.

(2) Non-audit services in connection with providing the advisory services relating to the international taxes.

(3) Translated into Hong Kong dollars at the rate of ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020.

SHAREHOLDERS' RIGHTS

Rights to demand that Directors call a Shareholders' meeting

The Shareholders continuously holding the Shares representing not less than 3% of the votes of all the Shareholders for six months may demand that the Directors convene a Shareholders' meeting, by illustrating the matters which shall be the purpose of the Shareholders' meeting (limited to matters on which the Shareholders may exercise their votes) and providing the reason for the calling of the Shareholders' meeting.

Right to put enquiries to the Board

The Shareholders have the right to put enquiries to the Board. All enquiries shall be sent in writing by post to the principal place of business of the Company in Hong Kong or the registered office in Japan, or through the Company's website (https://www.dyjh.co.jp/english/contact).

Rights to demand that Directors include a proposal in a convocation notice

Any Shareholder continuously holding not less than 1% of the votes of all the Shareholders or not less than 300 votes of all the Shareholders for six months may demand that the Directors, no later than eight weeks prior to the date of the Shareholders' meeting, notify the Shareholders of the summary of the proposals which the demanding Shareholder intend to submit with respect to the matters that are the purpose of the Shareholders' meeting and include a proposal in the convocation notice of the Shareholders' meeting.

INVESTOR RELATIONS

The Company communicates through announcements and annual and interim reports to manage its relationship with investment community and the Shareholders. All such reports and announcements can also be accessed via the Company's website. The Directors, company secretaries or other appropriate members of the senior management also respond to inquiries from the Shareholders and investment community promptly.

Constitutional Documents

During the Reporting Period, there was no significant change in the Company's constitutional documents.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the Reporting Period, save as disclosed herein, there were no changes to information required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules.

JOINT COMPANY SECRETARIES

The Company engages Ms. CHU Wai Ha, a director and Head of Accounting, Tax & Trade Services of TMF Hong Kong Limited (a global corporate services provider), as one of its joint company secretaries. The primary corporate contact person of the Company is Mr. Norio HARASAWA, the other joint company secretary appointed by the Company on 26 June 2014. The Company has complied with Rule 3.29 of the Listing Rules since Ms. CHU Wai Ha and Mr. Norio HARASAWA have undertaken no less than 15 hours of relevant profession training during the Reporting Period.

DIVIDEND POLICY

According to the dividend policy the Company has in place, the Company intends to share its profits with the Shareholders in an aggregate amount per year of not less than 35% of the Company's annual consolidated net income. Declaration and payment of dividends by the Company is subject to compliance with applicable laws and regulations including the Companies Act and the Articles of Incorporation. The dividend policy will continue to be reviewed and updated from time to time by the Board.

Non-executive Director

Non-executive Director and Senior Corporate Advisor of the Board
Mr. Yoji SATO (Age: 74)

Jan 1970	Joined Dynam
Sep 1978	President and Representative Director of Dynam
Jun 2000	Chairman and Representative Director of Dynam
Apr 2003	President and Representative Director of Dynam Investment Co., Ltd.
Mar 2007	Representative Director and CEO of Dynam Holdings Co., Ltd.
Dec 2009	Representative Chairman of One Asia Foundation (present)
Sep 2011	Executive Director and CEO of the Company
Jan 2013	Director of Dynam Hong Kong (present)
Jun 2013	Executive Director and Chairman of the Board of the Company
Jun 2015	Executive Director and Senior Corporate Adviser
Jun 2016	Non-executive Director and Senior Corporate Adviser of the Company (present)

Mr. Yoji Sato graduated from Waseda University in March 1968 with a bachelor's degree in commerce. He is the elder brother of Mr. Kohei Sato.

Non-executive Director and Chairman of the Board
Mr. Tatsuji FUJIMOTO (Age: 59)

Jan 1986	Joined The Daiei, Inc.
Dec 2001	Joined Dynam
Mar 2009	Head of Purchasing Department of Dynam
Mar 2012	Head of Logistics Department of Dynam
Jun 2015	Corporate Executive Officer and Head of Logistics Department of Dynam
Mar 2016	Corporate Executive Officer and Head of Purchasing Department of Dynam
Jun 2016	Director of Dynam
Jan 2017	Director and Head of Information Control Department of Dynam
Jun 2017	President and Representative Director of Dynam (present)
Jun 2017	Non-executive Director of the Company (present)
Apr 2020	Chairman of the Board of the Company (present)

Mr. Fujimoto graduated from Kanagawa Prefectural Fujisawa Technical High School in March 1979.

Non-executive Director
Mr. Noriaki USHIJIMA (Age: 70)

Apr 1973	Joined Tokyo Stock Exchange, Inc.
Jun 2004	Director and Executive Officer of Jasdaq Securities Exchange, Inc.
Jul 2006	Advisor of Jasdaq System Solution, Inc.
Dec 2006	Founded Noriaki USHIJIMA Office
Mar 2008	Director and a member of the audit committee of Dynam Holdings Co., Ltd.
Sep 2011	Non-executive Director of the Company (present)

Mr. Ushijima graduated from Chuo University in March 1973 with a bachelor's degree in economics.

Non-executive Director and Corporate Advisor of the Board
Mr. Kohei SATO (Age: 65)

Mar 1983	Joined Advantest Corporation (NYSE: ATE)
Jun 1985	Joined Kodak Co., Ltd. (NYSE: EK)
Jun 1995	Joined Dynam
Jun 1998	Director, Corporate Planning Office of Dynam
Apr 1999	Director, Sales Department of Dynam
Jun 2000	President and Representative Director of Dynam
Jan 2013	CEO of the Company
Jun 2014	Executive Director and CEO of the Company
Jun 2015	Director and CEO of Dynam Hong Kong
Jun 2015	Chairman of Dynam
Jun 2015	Executive Director, Chairman of the Board, President and CEO of the Company
Apr 2020	Non-executive Director and Corporate Advisor of the Company (present)

Mr. Kohei Sato graduated from Tokyo University of Agriculture and Technology in March 1980 with a bachelor's degree in engineering; he received a master's degree in mechanical engineering from Tennessee Technological University in August 1982. Mr. Kohei SATO is the younger brother of Mr. Yoji SATO.

Independent non-executive Director

Independent non-executive Director
Mr. Ichiro TAKANO (Age: 64)

Apr 1987	Registered as Attorney-at-Law in Japan
Apr 1992	Joined Tokyo Eiwa Attorneys at Law
Jun 2005	Independent Auditor of Hirari Tsushin Inc. (TSE: 9435)
Oct 2006	Auditor of Dynam Holdings Co., Ltd.
Mar 2007	Director and a member of the audit committee of Dynam Holdings Co., Ltd.
Jul 2008	Established Takano Law Offices (present)
Sep 2011	Independent Non-executive Director of the Company (present)
Jun 2017	Outside Director, Committee for audit of Hikari Tsushin Inc. (present) (position change due to transition to a company with an audit and supervisory committee)

Mr. Takano graduated from Waseda University in March 1980 with a bachelor's degree in law.

Independent non-executive Director
Mr. Thomas Chun Kee YIP (Age: 59)

May 1984	Joined Touche Ross & Co. Hong Kong
Jan 1986	Joined Price Waterhouse, Sydney Office
Dec 1988	Price Waterhouse, Hong Kong Office
Jul 1994	Senior Audit Manager of Price Waterhouse
Jan 2002	Joined CCIF CPA Limited
Mar 2008	Joined AIP Partners C.P.A. Limited, Practising Director (present)
Feb 2012	Independent Non-executive Director of the Company (present)

Mr. Yip graduated from the University of Sydney with a bachelor's degree in economics in April 1984. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Accountants Australia and New Zealand. He is also a member of the Society of Chinese Accountants and Auditors, an Associate of the Taxation Institute of Hong Kong and a Certified Tax Adviser in Hong Kong.

Independent non-executive Director
Mr. Kei MURAYAMA (Age: 65)

Apr 1978	Joined SWANY Corporation
Mar 1986	Joined Lawson Japan, Inc. (TSE: 2651)
Mar 2007	General Manager, Personnel and Training Division of Lawson Japan, Inc.
Mar 2009	Executive Officer of Lawson Japan, Inc.
Mar 2015	Executive Adviser for Personnel Matters of Lawson Japan, Inc.
Jun 2015	Independent Non-executive Director of the Company (present)
Aug 2019	Part time advisor for Personnel Matters of Lawson Inc. (present)

Mr. Murayama graduated from Senshu University in March 1978 with a bachelor's degree in law.

Independent non-executive Director
Mr. Mitsutoshi KATO (Age: 62)

Apr 1982	Joined The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Apr 1988	Seconded to Kincheng-Tokyo Finance Company Limited
Mar 1990	Joined Credit Agricole Corporate and Investment Bank
Apr 1991	Vice President of Credit Agricole Corporate and Investment Bank, Tokyo
Jan 2005	Statutory Auditor of Eco-Material Corporation
Dec 2006	Director and CFO of Eco-Material Corporation
Feb 2012	Chairman and CFO of Eco-Material Corporation (present)
Feb 2012	Independent Non-executive Director of the Company (present)

Mr. Kato graduated from the State University of New York at Stony Brook with a bachelor's degree in arts, major in political science in May 1980.

Independent non-executive Director
Mr. Kiyohito KANDA (Age: 55)

Oct 1991	Joined Yamaichi Securities Company, Limited
Dec 1992	Passed certified tax accountant examination
Jul 1995	Established Kanda Kiyohito Tax Accountant Office (present)
Aug 1996	Career school instructor at Adecco Ltd.
May 1998	Instructor, Training Center of the Board of Audit of Japan
Apr 2011	Part-time teacher, Faculty of Business Administration, Mejiro University
Jun 2017	Independent Non-executive Director of the Company (present)
Apr 2019	Teacher, Authonomy College (present)

Mr. Kanda graduated from Kanagawa University in March 1988 with a bachelor's degree in economics. Graduated from the Tokyo CPA Accounting College in March 1989 after studying accounting and completed a period as a special research student at the same institution.

Senior Management

Non-executive Director and Chairman of the Board
Mr. Tatsuji FUJIMOTO (Age: 59)

The biography of Mr. Tatsuji FUJIMOTO is provided on page 21 of this report.

Executive Officer
Mr. Hisao KATSUTA (Age: 68)

Apr 1974	Joined Oji Paper Co., Ltd.
Jun 1985	Joined Daiwa Securities Group
Oct 2006	Managing director of Daiwa Corporate Investment Asia Limited
Feb 2012	Joined the Group Executive Officer of the Company (present)
Apr 2013	Director of Dynam Hong Kong (present)

Mr. Katsuta graduated from the University of Tokyo with a bachelor's degree in arts in March 1974. He obtained a master's degree in business administration from Columbia University in May 1980. He is qualified as a class one sales representative recognized by Japan Securities Dealers Association.

Chief Executive Officer, President and Executive Officer
Mr. Makoto SAKAMOTO (Age: 63)

Apr 1980	Joined Daiei Inc.
Sep 2000	Transferred to Big Boy Japan Co., Ltd.
Nov 2002	Joined Central Services System Co., Ltd.
May 2003	Joined Japan Sportsvision Co., Ltd.
Feb 2004	Joined Dynam
Sep 2006	General Manager of the personnel department of Dynam Executive Officer of Dynam
Jun 2011	Director of Dynam (present)
Sep 2013	Executive Officer of the Company (present)
Apr 2020	Chief executive officer and President of the Company (present)

Mr. Sakamoto graduated from Waseda University in March 1980 with a bachelor's degree in social sciences.

Executive Officer
Mr. Yoshiyuki MIZUTANI (Age: 63)

Apr 1981	Joined Daiei Inc.
Jul 2007	Joined Life Card Co., Ltd.
Jul 2012	Joined Dynam
Nov 2012	Executive Officer of the Company (present)
Jun 2015	Managing Director of Dynam (present)

Mr. Mizutani graduated from Keio University in March 1981 with a bachelor's degree in Law.

Executive Officer
Mr. Seiji OBE (Age: 55)

Apr 1987	Joined Yamaichi Securities Company, Limited
Apr 1998	Joined Dynam
Sep 2005	Head of Finance Department of Dynam
Jun 2011	Head of Management Planning Department and Head of Finance Department of Dynam
Apr 2015	Seconded to Head of Planning and Coordination Group of the Company
Dec 2016	Seconded to Business Management Group of the Company
Jun 2017	Executive Officer of the Company (present)
Apr 2020	Director and chief executive officer of Dynam Hong Kong (present)

Mr. Obe graduated from Meiji University in March 1987 with a bachelor's degree in business administration.

Executive Officer
Mr. Kimiharu SATO (Age: 45)

Apr 1998	Joined Dynam
Apr 2010	Zone Manager of Fukuoka Zone of Dynam
Jun 2013	Head of Sales Policy Department of Dynam
Dec 2014	Head of Sales Policy and Analysis Department of Dynam
Mar 2015	Zone Manager of Tokyo Zone of Dynam
Jun 2016	Executive Officer and Head of Analysis and Strategy in Sales Coordination Department of Dynam
Dec 2016	Head of Analysis and Strategy Department and Advertising and Promotion in Sales Coordination Department of Dynam
Apr 2017	Head of Sales Strategy in Sales Coordination Department of Dynam
Jun 2017	Director and Head of Sales Strategy Department of Dynam (present)
Nov 2017	Director of the Company (present)

Mr. Sato graduated from Akita Keizaihoka University in March 1997 with a bachelor's degree in law.

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the Reporting Period (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company is a pure holding company. The principal activities of its major subsidiaries are set out in note 44 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW AND PROSPECT

A review of the business of the Group during the Reporting Period, a discussion on the Group's growth strategy, and our corporate vision are provided in the "CEO Statement" and "Value Creation and Strategy of the Group" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators including performance by hall types and breakdown of major account segments, and an explanation for the increase or decrease of each of the major account segments are provided in the "Financial Review".

The risks and uncertainties arising from the Covid-19 pandemic, an assessment on its impact to the Group's business operations and financial performance, and measures to manage the risks are provided in the "Principal Risks and Uncertainties" and "Events after the Reporting Period" of this annual report.

Compliance With Relevant Laws and Regulations

During the Reporting Period, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Environmental Protection

The Company has long considered environmental protection as one of its key priorities. Our pachinko hall operation itself does not cause any material damage to the environment, however, as a member of society, the Group is constantly seeking to improve our environmental protection measures. For example, we reduce our use of electric power by installing LED lighting at halls. The Group also sees to the proper end-disposal of gaming machines by recycling the usable parts and materials through an industry organization for the proper end-disposal of pachinko and pachislot machines. The relevant information is described in the ESG report to be published separately.

Relationships With Employees, Customers and Suppliers

The sustainable development of the Group depends on the supports and efforts of all parties concerned including our customers, suppliers and contractors, particularly the efforts and contribution of all our staff. The details regarding our relationships with employees, customers and suppliers are provided in the ESG report to be published separately.

The detailed information on our initiatives related environmental (E) and social (S) matters will be disclosed in the ESG report, which will be published within three months of the publication of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following principal risks and uncertainties are considered to be of significance and have the potential to affect the Group's financial conditions. However, this is non-exhaustive as other risks and uncertainties may arise from changes in the economy and other conditions.

In the pachinko hall operation business, the number of customers who play pachinko may decrease due to the decreasing population in Japan, the customers flowing out to other amusements, and harmful rumors and bad impression of pachinko and so forth. The pachinko hall operation may be obstructed by tighter regulations that the Japanese government might implement due to its policy change and/or our over-reliance on key suppliers including the manufacturers of playing machines.

In response to the Japanese government's state of emergency declaration on 7 April, many local governments requested entertainment facilities, including pachinko halls, in their respective prefectures to suspend operation in connection with the outbreak of the coronavirus (Covid-19) after January 2020.

In response to such requests from the local governments, the Group has temporarily suspended operation of 436 of the Group's 448 pachinko halls as at 6 May 2020. After 7 May, Group's pachinko halls have resumed operations sequentially and 45 pachinko halls are temporarily suspended operation as at 25 May.

The temporarily suspended operation of pachinko halls had material adverse effects on the Group's financial condition and operations after April 2020. As the temporarily suspended operations are ongoing, the Group expects such adverse effects may continue in the future.

In order to reduce the increasing cash outflow due to suspended operations, the Group will increase the cash-on-hand by emergency borrowing from financial institutions, for example, in addition to our own funds internally generated in the past years.

In addition, the Group will implement measures such as cost reductions including labor costs and curbing new investment.

In the Aircraft Lease Business, there is a risk that the creditworthiness of the airlines may deteriorate, resulting in their not being able to make payments and perform other obligations under the lease agreements. Another risk is the risk that we are unable to exit our investment as planned, either through re-leasing or disposal, due to the fluctuation of the residual value of aircraft.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the Financial Statements of this annual report.

DECLARATION OF FINAL DIVIDEND

The Board proposed to declare a final dividend of ¥3 per ordinary Share for the Reporting Period on 27 May 2020, and the final dividend will be payable on 24 June 2020 to the Shareholders whose names appear on the Company's share register at close of business on 8 June 2020. Based on the assumption that 765,985,896 Shares shall be in issue as at 8 June 2020, it is expected that the final dividend payable will amount to approximately ¥2,298 million (equivalent to approximately HK$164 million). No Shareholder has waived or agreed to waive any dividends.

The exchange rate for the conversion of Japanese yen to Hong Kong dollar for the dividend distributed to Shareholders in Hong Kong dollar will be based on the average currency exchange rates prevailing five business days immediately before 27 May 2020.

FINANCIAL HIGHLIGHTS

A summary of the audited results and of the assets and liabilities of the Group for the last five reporting years is set out in "Financial Review" of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 22 to the Financial Statements.

BORROWING

Particulars of borrowing of the Group as at 31 March 2020 are set out in note 33 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital for the Reporting Period are set out in note 40 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Company for the Reporting Period are set out in note 42 to the Financial Statements.

DISTRIBUTABLE RESERVES

The Company's reserves for distribution refer to retained profits and other capital surplus. In the opinion of the Directors, as at 31 March 2020, the Company had reserves available for distribution to its Shareholders of ¥65,596 million (2019: ¥65,999 million).

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.

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires at least 25% of an issuer's total issued share capital must at all times be held by the public. We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has agreed to exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of approximately 20.9% of our total issued share capital.

As of the date of this report, based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Hong Kong Stock Exchange during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Incorporation or applicable laws of Japan where the Company was incorporated.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report are as follows:

Non-executive Directors

Yoji SATO re-appointed on 20 June 2019
Kohei SATO re-appointed on 20 June 2019
(re-designated from executive Director to non-executive Director on 27 April 2020)
Tatsuji FUJIMOTO re-appointed on 20 June 2019
Noriaki USHIJIMA re-appointed on 20 June 2019

Independent Non-executive Directors

Ichiro TAKANO re-appointed on 20 June 2019
Mitsutoshi KATO re-appointed on 20 June 2019
Thomas Chun Kee YIP re-appointed on 20 June 2019
Kei MURAYAMA re-appointed on 20 June 2019
Kiyohito KANDA re-appointed on 20 June 2019

DIRECTORS' BIOGRAPHIES

Directors' biographies are set out in the "Biographies of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any unexpired service contract with the Company which shall not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Ichiro TAKANO, Mr. Mitsutoshi KATO, Mr. Thomas Chun Kee YIP, Mr. Kei MURAYAMA and Mr. Kiyohito KANDA the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that each independent non-executive Director has been independent during the Reporting Period and has remained independent as of the date of this report.

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 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 SFO), which should be notified to the Company and the Hong Kong 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 to be notified to the Company and the Hong Kong 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[5]	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, SAC, which is wholly owned and controlled by Mr. Yoji SATO, is beneficially interested in 177,822,560 Shares. 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 Eurasia Foundation (from Asia) Limited 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 re-appointed as an executive Director on 20 June 2019 to serve concurrently as chief executive officer of the Company during the Reporting Period. He resigned as chief executive officer, president and executive officer of the Company and was re-designated to a non-executive Director with effect from 27 April 2020. He is beneficially interested in 53,639,680 Shares. Mrs. Shizuka SATO, his wife, is beneficially interested in 1,500,000 Shares, and such interests are deemed to be Mr. Kohei SATO's interests under the SFO.

(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 Hong Kong 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%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	10.444%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse[4]	273,632,560	
	Other[5]	171,171,800	
		444,805,120	58.070%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation[6]	14,580,104	
	Other[5]	410,645,440	
		444,805,120	58.070%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other[5]	403,829,440	
		444,805,120	58.070%
Mrs. Yaeko NISHIWAKI	Beneficial owner	22,979,576	
	Interest of controlled corporation[7]	17,917,184	
	Other[5]	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%

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 annual 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) See Note (4) on page 28 of this annual report.

(6) 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.

(7) 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.

(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, as 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 which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, the Company or any of its subsidiaries was not a party to any arrangement which would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate. None of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or any other corporate body or had exercised any such right.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares were entered into by the Company or any of its subsidiaries during the Reporting Period or subsisted as at the end of the Reporting period.

CONNECTED TRANSACTIONS

The related party transactions of the Company for the Reporting Period are set out in note 49 to the Financial Statements. Other than disclosed below, the related party transactions of the Company did not constitute non-exempt connected transactions under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

On 26 September 2018, the Group has entered into with SAC Aircraft Leasing Members, the cooperation framework agreement (the "**Cooperation Framework Agreement**"), as supplemented by the supplemental agreement dated 21 November 2018. Pursuant to the Cooperation Framework Agreement, the Group and the SAC Aircraft Leasing Members have agreed to cooperate with each other in respect of the Aircraft Lease Business for the term of three years commencing from 1 January 2019 and ending 31 December 2021 on a recurring basis.

On 20 December 2018, the extraordinary general meeting of the Company considered and approved such transaction. For details, please refer to the announcements of the Company dated 26 September 2018 and 21 November 2018, and the circular of the Company dated 28 November 2018. The annual cap set for each of the three years ending 31 December 2019, 2020 and 2021 is ¥30,000 million.

During the Reporting Period, the Group conducted the continuing connected transactions in accordance with the Cooperation Framework Agreement. (i) The aggregate annual value for the transactions contemplated under the Cooperation Framework Agreement for the year ended 31 December, 2019 was approximately ¥10,490 million/nil, which did not exceed the annual cap of ¥30,000 million; and (ii) the aggregate value for the three-month period ended 31 March 2020 was approximately ¥6,567 million/nil, which did not exceed the annual cap of ¥30,000 million for the year ending 31 December 2020.

Annual Review of Continuing Connected Transactions

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that they had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the Cooperation Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors of the Company have also confirmed that nothing has come to their attention that causes them to believe that the transactions (a) have not received the approval of the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreements; and (d) have exceeded the respective annual caps mentioned above.

The Company's auditor was engaged to report on the Group's continuing connected transactions, and the auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

INTERESTS OF DIRECTORS IN A COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

The Company has received from each of the Directors for the Reporting Period an annual confirmation of his/her undertaking as to non-competition.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of Mr. Yoji SATO, Mr. Kohei SATO, Mrs. Keiko SATO, Mrs. Yaeko NISHIWAKI, Mr. Masahiro SATO, Mr. Shigehiro SATO, Rich-O and SAC, each controlling Shareholder (as defined in the Listing Rules), has confirmed to the Company that he/she/it has complied with the terms of the deed of non-competition dated as of 18 July 2012 (as amended by the supplemental deed to deed of non-competition dated as of 26 September 2018) (the "**Deed of Non-competition**") during the Reporting Period. The independent non-executive Directors have also reviewed the compliance with the Deed of Non-competition and are of the view that the said controlling Shareholders had not breached the terms of the Deed of Non-competition during the Reporting Period.

On 20 December 2018, the extraordinary general meeting of the Company considered and approved the supplemental deed to the original deed of non-competition. For details of the original deed of non-competition, please refer to the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 24 July 2012; and for details of the supplement thereto, the announcement and circular of the Company dated 26 September 2018 and 28 November 2018 respectively.

DIRECTOR'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save for the Cooperation Framework Agreement and connected transactions disclosed above, no transactions, arrangements and contracts of significance in relation to the Group's business to which any of the Group was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period or as at the end of the Reporting Period.

CONTROLLING SHAREHOLDERS' INTEREST

Save for the Cooperation Framework Agreement, no contracts of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the Reporting Period or as at the end of the Reporting Period.

REMUNERATION POLICY

The Group's remuneration policy is to compensate our employees based on their performance and qualifications and our results of operations.

The emoluments of our Directors and senior management are determined by our Remuneration Committee with reference to our results of operations, the individual performance of the Directors and senior management and so on.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in notes 19 and 51 respectively to the Financial Statements.

PERMITTED INDEMNITY

The Articles of Incorporation provide that the Company may indemnify and hold each Director harmless against any loss or damage arising from his/her failure to perform the duties of his/her office to the extent as permitted by the Companies Act. In addition, the Company has arranged appropriate liability insurance coverage for Directors and executive officers against damage suits.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made donations of approximately ¥137 million.

PENSION SCHEME

The Company and its subsidiaries in Japan have established defined contribution pension system and retirement lump sum grants as our retirement benefit scheme. Also, Dynam Hong Kong has introduced mandatory provident fund scheme as a retirement protection scheme for their employees in Hong Kong.

MAJOR CUSTOMERS AND SUPPLIERS

The nature of the Group's pachinko hall activities are such that the percentage of gross pay-ins attributable to the Group's five largest customers is significantly less than 30% of the total and the Directors do not consider any one customer to be influential to the Group.

Purchases of the Group attributable to its major suppliers respectively during the Reporting Period were as follows:

The largest supplier:	
G-prize supplier	52.6%
General prize supplier	51.8%
Pachinko and pachislot machine supplier	13.0%

Top five suppliers:	
G-prize supplier	96.0%
General prize supplier	88.1%
Pachinko and pachislot machine supplier	40.8%

To the best knowledge of the Directors, none of the Directors, their associates or any Shareholder holding more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest suppliers as disclosed above.

COMPLIANCE WITH THE CODE

In the opinion of the Directors, the Company has complied with the Code throughout the Reporting Period, save for certain derivations. The corporate governance report is set out on pages 13 to 20 of this annual report.

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

The Company has adopted the Model Code and the "Rules on Prevention of Insider Dealings" as its code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code and the "Rules on Prevention of Insider Dealings" during the Reporting Period. The details are set out in the corporate governance report of this annual report.

AUDITOR

The Financial Statements have been prepared in accordance with the international financial reporting standards and audited by PricewaterhouseCoopers Aarata LLC, who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The ESG Report 2020 for the Reporting Period will be published separately no longer than three months after the publication of this annual report.

EVENTS AFTER THE REPORTING PERIOD

(a) Outbreak of the coronavirus (Covid-19)

In response to the Japanese government's state of emergency declaration on 7 April, many local governments requested entertainment facilities, including pachinko halls, in their respective prefectures to suspend operation in connection with the outbreak of the coronavirus (Covid-19) after January 2020.

In response to such requests from the local governments, the Group has temporarily suspended operation of 436 of the Group's 448 pachinko halls as at 6 May 2020. After 7 May, Group's pachinko halls have resumed operations sequentially and 45 pachinko halls are temporarily suspended operation as at 25 May.

The temporarily suspended operation of pachinko halls had material adverse effects on the Group's financial condition and operations after April 2020. As the temporarily suspended operations are ongoing, the Group expects such adverse effects may continue in the future.

The Group is unable to reasonably estimate the financial impact to the Group's future results of operations, cash flows and financial condition due to uncertainties surrounding circumstance of the business and suspended operation of our pachinko halls in connection with the outbreak of the coronavirus (Covid-19).

(b) Resignation and appointment of Chairman of the Board and Chief Executive Officer of the Company

Mr. Kohei SATO resigned as chairman of the Board and chief executive officer and was re-designated from the executive Director to a non-executive Director on 27 April 2020.

Mr. Tatsuji FUJIMOTO was appointed as chairman of the Board and Mr. Makoto SAKAMOTO was appointed as chief executive officer, both with effect from 27 April 2020.

By order of the Board
Tatsuji FUJIMOTO
Chairman of the Board

Japan, 27 May 2020

Summary of Financial Performance
Year ended 31 March

Year ended 31 March

(in millions)

	2020		2019		2018	2017	2016
	¥	**HK$**	¥	HK$	¥	¥	¥
Gross pay-ins	**732,862**	**52,235**	768,857	54,375	775,060	817,777	844,885
Less: gross payouts	**(590,943)**	**(42,120)**	(622,486)	(44,023)	(622,968)	(660,908)	(688,974)
Revenue	**141,919**	**10,115**	146,371	10,352	152,092	156,869	155,911
Hall operating expenses	**(121,912)**	**(8,689)**	(128,024)	(9,054)	(136,727)	(142,142)	(138,326)
General and administrative expenses	**(5,020)**	**(358)**	(5,023)	(355)	(5,049)	(5,622)	(5,798)
Other income	**9,010**	**642**	8,971	634	9,458	9,224	8,184
Other operating expenses	**(2,483)**	**(177)**	(2,953)	(209)	(2,425)	(2,430)	(1,805)
Operating profit	**21,514**	**1,533**	19,342	1,368	17,349	15,899	18,166
Finance income	**461**	**33**	471	33	236	233	311
Finance expenses	**(2,469)**	**(176)**	(444)	(31)	(781)	(1,307)	(1,074)
Profit before income taxes	**19,506**	**1,390**	19,369	1,370	16,804	14,825	17,403
Income taxes	**(6,759)**	**(482)**	(6,778)	(479)	(5,879)	(5,520)	(6,864)
Net profit for the year	**12,747**	**908**	12,591	891	10,925	9,305	10,539
Net profit attributable to:							
Owners of the Company	**12,748**	**908**	12,596	891	10,870	9,360	10,544
Non-controlling interests	**(1)**	**0**	(5)	0	55	(55)	(5)
Net profit for the year	**12,747**	**908**	12,591	891	10,925	9,305	10,539
Earnings per share							
Basic	**¥16.6**	**HK$1**	¥16.4	HK$1	¥14.2	¥12.2	¥13.9
Diluted	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A
EBITDA(*)	**33,151**	**2,363**	31,136	2,202	29,524	28,469	30,494

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

Summary of Financial Performance
Year ended 31 March

SUMMARY OF FINANCIAL PERFORMANCE

	As at 31 March						
							(in millions)
	2020		2019		2018	2017	2016
	¥	**HK$**	¥	HK$	¥	¥	¥
Non-current assets	**221,441**	**15,783**	125,457	8,873	131,826	142,043	145,944
Current assets	**55,798**	**3,977**	59,875	4,234	53,145	63,072	43,240
Current liabilities	**44,028**	**3,138**	36,452	2,578	39,643	38,496	30,838
Net current assets	**11,770**	**839**	23,423	1,656	13,502	24,576	12,402
Total assets less current liabilities	**233,211**	**16,622**	148,880	10,529	145,328	166,619	158,346
Non-current liabilities	**98,479**	**7,018**	7,080	501	7,813	29,738	25,727
Total equity	**134,732**	**9,604**	141,800	10,028	137,515	136,881	132,619

CURRENCY TRANSLATIONS

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

1. ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).
2. ¥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.

ADOPTION OF IFRS 16 'LEASES'

The Group has adopted the IFRS 16, Leases, in the consolidated financial statement for the year ended 31 March 2020.

The adoption of IFRS 16, Leases, affected following items in the consolidated financial statement.

Consolidated Statement of Financial Position on 1 April 2019:

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

Consolidated Statement of Profit or Loss:

Profit before income tax increased by ¥835 million on Consolidated Statement of Profit or Loss.

Consolidated Statement of Cash Flows:

Cash flows from operating activities increased by ¥10,561 million and, in contrast, cash flows from financing activities decreased by the same amount on Consolidated Statement of Cash Flow.

The details of IFRS 16, Leases, is set out in note 5 of consolidated financial statement in this report.

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

	For the year ended 31 March				
	2020		2019		changes[3]
	(in millions, except for percentages)				
	¥	**HK$[1]**	¥	HK$[2]	%
Gross pay-ins					
— High playing cost halls	**410,270**	**29,242**	441,304	31,210	–7.0%
— Low playing cost halls	**322,592**	**22,993**	327,553	23,165	–1.5%
Total gross pay-ins	**732,862**	**52,235**	768,857	54,375	–4.7%
Gross payouts					
— High playing cost halls	**340,651**	**24,280**	368,190	26,039	–7.5%
— Low playing cost halls	**250,292**	**17,840**	254,296	17,984	–1.6%
Total gross payouts	**590,943**	**42,120**	622,486	44,023	–5.1%
Revenue					
— High playing cost halls	**69,619**	**4,962**	73,114	5,171	–4.8%
— Low playing cost halls	**72,300**	**5,153**	73,257	5,181	–1.3%
Total revenue	**141,919**	**10,115**	146,371	10,352	–3.0%

(1) Translated into Hong Kong dollars at the rate of ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).
(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).
(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.

Summary of Financial Performance
Year ended 31 March

The pachinko hall industry continues to operate under a harsh environment as the number of customers declines, centering on high playing cost halls, and the playing revenues continue to decrease. On the other hand, moving to draw back customers are making headway by creating easily accessible and secure environments through an increase in low playing cost halls and a staged reduction of the percentage of gambling game machines installed.

Under such an environment, the Group adopted a key policy of prioritizing hall creation from the customers' viewpoint and promoting sales focused on customers at each hall, and so refurbished halls and implemented various experimental sales policies, all as an initiative for growing and developing together with the local community. Furthermore, as an effort to improve operations, the Group incorporated the companywide sharing of successful examples of gaming environment improvements and sales measures that each hall is engaged in.

The Group aims to establish pachinko halls as a part of the community infrastructure to provide daily entertainment that everyone can easily enjoy, and is engaged in expanding its industry share of low playing cost halls to realize this objective.

During this fiscal year, the Group opened 1 new low playing cost halls, closed 3 halls as a result of reviewing commercial areas. We have changed from 2 high playing cost hall to low cost playing hall. Through such countermeasure, the number of halls as at the end of March 2020 became 448. By hall type, we operate 174 high playing cost halls and 274 low playing cost halls. Low playing cost halls account for 61% of the total halls.

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

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 total gross pay-ins decreased by ¥35,995 million (equivalent to approximately HK$2,566 million*), or 4.7%*, from ¥768,857 million (equivalent to approximately HK$54,375 million) for the year ended 31 March 2019 to ¥732,862 million (equivalent to approximately HK$52,235 million) for the year ended 31 March 2020.

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

Gross pay-ins for high playing cost halls decreased by ¥31,034 million (equivalent to approximately HK$2,212 million*), or 7.0%*, from ¥441,304 million (equivalent to approximately HK$31,210 million) for the year ended 31 March 2019 to ¥410,270 million (equivalent to approximately HK$29,242 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease in utilisation of machines.

Gross pay-ins for low playing cost halls decreased by ¥4,961 million (equivalent to approximately HK$354 million*), or 1.5%*, from ¥327,553 million (equivalent to approximately HK$23,165 million) for the year ended 31 March 2019 to ¥322,592 million (equivalent to approximately HK$22,993 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease in utilisation of machines.

GROSS PAYOUTS

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

Our total gross payouts decreased by ¥31,543 million (equivalent to approximately HK$2,248 million*), or 5.1%*, from ¥622,486 million (equivalent to approximately HK$44,023 million) for the year ended 31 March 2019 to ¥590,943 million (equivalent to approximately HK$42,120 million) for the year ended 31 March 2020.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥27,539 million (equivalent to approximately HK$1,963 million*), or 7.5%*, from ¥368,190 million (equivalent to approximately HK$26,039 million) for the year ended 31 March 2019 to ¥340,651 million (equivalent to approximately HK$24,280 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease in gross pay-ins.

Gross payouts for low playing cost halls decreased by ¥4,004 million (equivalent to approximately HK$285 million*), or 1.6%*, from ¥254,296 million (equivalent to approximately HK$17,984 million) for the year ended 31 March 2019 to ¥250,292 million (equivalent to approximately HK$17,840 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease 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 decreased by ¥4,452 million (equivalent to approximately HK$317 million), or 3.0%*, from ¥146,371 million (equivalent to approximately HK$10,352 million) for the year ended 31 March 2019 to ¥141,919 million (equivalent to approximately HK$10,115 million) for the year ended 31 March 2020.

Our revenue by hall type is as follows.

Revenue for high playing cost halls decreased by ¥3,495 million (equivalent to approximately HK$249 million*), or 4.8%*, from ¥73,114 million (equivalent to approximately HK$5,171 million) for the year ended 31 March 2019 to ¥69,619 million (equivalent to approximately HK$4,962 million) for the year ended 31 March 2020. The decrease was primarily due to a decrease in gross pay-ins. The revenue margin for the year ended 31 March 2020 increased by 0.4 points to 17.0% year-on-year, reflecting decreased ratio of gross payouts to gross pay-ins.

Revenue for low playing cost halls decreased by ¥957 million (equivalent to approximately HK$68 million*), or 1.3%*, from ¥73,257 million (equivalent to approximately HK$5,181 million) for the year ended 31 March 2019 to ¥72,300 million (equivalent to approximately HK$5,153 million) for the year ended 31 March 2020. The revenue margin was 22.4%, the same level as the previous year.

Summary of Financial Performance
Year ended 31 March

HALL OPERATING EXPENSES

Hall operating expenses for the year ended 31 March 2020 was ¥121,912 million (equivalent to approximately HK$8,689 million), recording a decrease by ¥6,112 million (equivalent to approximately HK$437 million*), or 4.8%* as compared to the previous fiscal year of ¥128,024 million (equivalent to approximately HK$9,054 million).

Our hall operating expenses by hall type are as follows.

Hall operating expenses for high playing cost halls decreased by ¥2,998 million (equivalent to approximately HK$214 million*), or 5.2%*, from ¥57,521 million (equivalent to approximately HK$4,068 million) for the year ended 31 March 2019 to ¥54,522 million (equivalent to approximately HK$3,886 million) for the year ended 31 March 2020.

Hall operating expenses for low playing cost halls decreased by ¥3,113 million (equivalent to approximately HK$222 million*), or 4.4%*, from ¥70,503 million (equivalent to approximately HK$4,986 million) for the year ended 31 March 2019 to ¥67,390 million (equivalent to approximately HK$4,803 million) for the year ended 31 March 2020.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥3 million (equivalent to approximately HK$0 million*), or 0.1%*, from ¥5,023 million (equivalent to approximately HK$355 million) for the year ended 31 March 2019 to ¥5,020 million (equivalent to approximately HK$358 million) for the year ended 31 March 2020.

OTHER INCOME

Other income increased by ¥39 million (equivalent to approximately HK$3 million*), or 0.4%*, from ¥8,971 million (equivalent to approximately HK$634 million) for the year ended 31 March 2019 to ¥9,010 million (equivalent to approximately HK$642 million) for the year ended 31 March 2020.

OTHER OPERATING EXPENSES

Other operating expenses decreased by ¥470 million (equivalent to approximately HK$33 million*), or 15.9%*, from ¥2,953 million (equivalent to approximately HK$209 million for the year ended 31 March 2019 to ¥2,483 million (equivalent to approximately HK$177 million) for the year ended 31 March 2020. The main reason of the decrease is the decrease of disaster losses.

FINANCE INCOME

Finance income decreased by ¥10 million (equivalent to approximately HK$1 million*), or 2.1%*, from ¥471 million (equivalent to approximately HK$33 million) for the year ended 31 March 2019 to ¥461 million (equivalent to approximately HK$33 million) for the year ended 31 March 2020.

FINANCE EXPENSES

Finance expenses increased by ¥2,025 million (equivalent to approximately HK$144 million*), or 456.1%*, from ¥444 million (equivalent to approximately HK$31 million) for the year ended 31 March 2019 to ¥2,469 million (equivalent to approximately HK$176 million) for the year ended 31 March 2020. The main reason for the increase is the increase in interest expense due to the adoption of IFRS 16.

EVENTS AFTER THE REPORTING PERIOD

The details to events after the reporting period are provided in note 50 to the consolidated financial statements of this annual report.

* 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 consolidated statement of cash flows:

	For the year ended 31 March			
	2020		2019	
				(in millions)
	¥	**HK$(1)**	¥	HK$(2)
Net cash generated from operating activities	**30,071**	**2,143**	27,493	1,944
Net cash used in investing activities	**(25,951)**	**(1,850)**	(5,292)	(374)
Net cash used in financing activities	**(9,601)**	**(684)**	(15,433)	(1,091)
Effects of exchange rate changes on cash and cash equivalents	**(246)**	**(17)**	236	17
Net increase/(decrease) in cash and cash equivalents	**(5,727)**	**(408)**	7,004	496
Cash and cash equivalents at beginning of year	**47,537**	**3,388**	40,533	2,867
Cash and cash equivalents at end of year	**41,810**	**2,980**	47,537	3,363

Net cash generated from operating activities

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

	For the year ended 31 March			
	2020		2019	
				(in millions)
	¥	**HK$(1)**	¥	HK$(2)
Operating profit before working capital changes	**44,369**	**3,162**	31,876	2,254
Change in working capital — (used in)	**(4,821)**	**(344)**	954	67
Cash generated from operations	**39,548**	**2,818**	32,830	2,322
Income taxes paid	**(7,440)**	**(530)**	(5,269)	(373)
Finance expenses paid	**(2,037)**	**(145)**	(68)	(5)
Net cash generated from operating activities	**30,071**	**2,143**	27,493	1,944

(1) Translated into Hong Kong dollars at the rate of ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).

(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).

Summary of Financial Performance
Year ended 31 March

Net cash generated from operation activities

Our net cash generated from operating activities was ¥30,071 million (equivalent to approximately HK$2,143 million) for the year ended 31 March 2020 as compared to ¥27,493 million (equivalent to approximately HK$1,944 million) for the year ended 31 March 2019.

Net cash used in investing activities

Our net cash used in investing activities primarily consist of capital expenditures for property, plant and equipment, including freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles, aircrafts and construction in progress. Net cash used in investing activities was ¥5,292 million (equivalent to approximately HK$374 million) and ¥25,951 million (equivalent to approximately HK$1,850 million) for the years ended 31 March 2019 and 2020, respectively. The cash outflow for the year ended 31 March 2020 was primarily due to the purchase of property, plant, and equipment including aircraft.

Net cash used in financing activities

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

Our net cash generated in financing activities primarily consists of bank loans raised.

For the year ended 31 March 2019, net cash used in financing activities was ¥15,433 million (equivalent to approximately HK$1,091 million) and net cash used in financing activities was ¥9,601 million (equivalent to approximately HK$684 million) for the year ended 31 March 2020.

The cash outflow for the year ended 31 March 2020 was primarily due to the repayment of lease payables in the amount of ¥11,010 million (approximately HK$785), and bank loans in the amount of ¥4,032 million (equivalent to approximately HK$287 million), and dividend payment in the amount of ¥9,192 million (equivalent to approximately HK$655 million) respectively. The cash inflow for the year ended 31 March 2020 was primarily due to the bank loans raised amounted to ¥14,633 million (equivalent to approximately HK$1,043 million).

LIQUIDITY

Net Current Assets and Working Capital Sufficiency

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

	31 March 2020		31 March 2019 (in millions)	
	¥	**HK$(1)**	¥	HK$(2)
Current assets				
Inventories	**3,378**	**241**	1,949	138
Trade receivables	**554**	**40**	614	43
Lease receivables	**2,137**	**152**	81	6
Prizes in operation of pachinko halls	**4,574**	**326**	3,791	268
Other current assets	**3,345**	**238**	5,903	417
Cash and cash equivalents	**41,810**	**2,980**	47,537	3,362
	55,798	**3,977**	59,875	4,234
Current liabilities				
Trade and other payables	**14,801**	**1,055**	19,297	1,365
Borrowings	**3,008**	**214**	2,124	150
Finance lease payables	**12,185**	**869**	227	16
Provisions	**2,054**	**146**	2,013	142
Income taxes payables	**3,301**	**235**	4,310	305
Other current liabilities	**8,679**	**619**	8,481	600
	44,028	**3,138**	36,452	2,578
Net current assets	**11,770**	**839**	23,423	1,656

(1) Translated into Hong Kong dollars at the rate of ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).

(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 2020, our net current assets totalled ¥23,423 million (equivalent to approximately HK$1,656 million) and ¥11,770 million (equivalent to approximately HK$839 million), respectively, and our current ratio was 1.6 and 1.3, respectively.

Summary of Financial Performance
Year ended 31 March

Gearing ratio

The gearing ratio is an indicator of our capital structure, which is calculated as total borrowings divided by total assets. Total borrowings comprised long and short-term bank borrowings. The gearing ratio increased from 1.4% as at 31 March 2019 to 4.8% as at 31 March 2020, primarily due to the increase in total borrowings.

Capital expenditures

Our capital expenditures consist primarily of purchases of land, buildings including the cost of leasehold improvements, tools and equipment, motor vehicles, aircrafts and construction in progress. Our capital expenditures for the year ended 31 March 2019 and 2020 were ¥8,420 million (equivalent to approximately HK$595 million) and ¥23,366 million (equivalent to approximately HK$1,665 million), respectively. Our capital expenditures were primarily related to the enhancement of our competitiveness through the construction of new halls, and entering aircraft business.

The details to capital expenditure are provided in note 22 to the consolidated financial statements of this annual report.

Inventories

Our total inventories increased from ¥1,949 million (equivalent to approximately HK$138 million) as at 31 March 2019 to ¥3,378 million (equivalent to approximately HK$241 million) as at 31 March 2020. The increase was primarily due to increase in stored goods of ¥1,662 million (approximately HK$118 million).

The details to inventories are provided in note 28 to the consolidated financial statements of this Annual Report.

Prizes in operation of pachinko halls

Our total prizes in operation of pachinko halls increased from ¥3,791 million (equivalent to approximately HK$268 million) as at 31 March 2019 to ¥4,574 million (equivalent to approximately HK$326 million) as at 31 March 2020. The increase was primarily attributable to the increase in G-prize of ¥857 million (equivalent to approximately HK$61 million).

The details to prizes in operation of pachinko halls are provided in note 29 to the consolidated financial statements of this annual report.

PLEDGE OF ASSETS

As at 31 March 2020, certain property, plant, and equipment which amounted to ¥11,418 million (equivalent to approximately HK$813 million) was pledged as securities for the bank borrowings.

For the relevant information, please refer to note 33 to the consolidated financial statements of this annual report.

CONTINGENT LIABILITIES

As at 31 March 2020, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The details to capital commitments are provided in note 47 to the consolidated financial statements of this annual report.

ACQUISITION AND DISPOSAL

For the year ended 31 March 2020, there was no material acquisition and disposal any of our subsidiaries.

SIGNIFICANT INVESTMENTS

During the year ended 31 March 2020, our significant investments consist primarily of new halls opened and purchase of aircrafts for aircraft leasing business. The details to purchase of aircrafts are provided in "Value Creation and Strategy of the Group" of this annual report.

EMPLOYEES

As at 31 March 2020, we had approximately 17,533 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 housing fund schemes and discretionary incentive. The employee remuneration incurred for the year ended 31 March 2020 was ¥55,103 million (equivalent to approximately HK$3,928 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 31 March 2020 were ¥3,008 million (equivalent to approximately HK$214 million) and ¥10,220 million (equivalent to approximately HK$728 million), respectively. These bank borrowings are secured liabilities.

For the year ended 31 March 2020, the Group financed a short-term borrowing of 1,091 million (equivalent to approximately HK$78 million) and a long-term borrowing of ¥10,535 million (equivalent to approximately HK$751 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.

The details to borrowings are provided in note 33 to the consolidated financial statements of this Annual Report.

Loan facilities

At as 31 March 2020, we had a total amount of approximately ¥34,000 million (equivalent to approximately HK$2,423 million) of banking facilities and an installment facility available to us, of which approximately ¥32,000 million (equivalent to approximately HK$2,281 million) 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 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* (Tokyo Interbank Offered Rate), subject to adjustment from time to time.

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.

Summary of Financial Performance
Year ended 31 March

FINANCIAL RISK

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 RISKS

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 have 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 receivables and finance lease receivables 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.

The credit risk on cash and bank balances and derivative financial instruments are limited because the customers are banks with high credit ratings assigned by international credit-rating agencies. The credit quality of the customers in respect of trade receivables and financial lease receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, management is of the opinion that risk of default by these customers is low.

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 longer term.

TO THE SHAREHOLDERS OF
DYNAM JAPAN HOLDINGS Co., Ltd.
(incorporated in Japan with limited liability)

OPINION

What we have audited

The consolidated financial statements of DYNAM JAPAN HOLDINGS Co., Ltd. (the "Company") and its subsidiaries (together, "the Group") set out on pages 52 to 137, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Summary of key audit matter:

- Impairment assessment of Property, plant and equipment, Right-of-use assets and Goodwill

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Impairment assessment of Property, plant and equipment, Right-of-use assets and Goodwill	
Refer to note 22. PROPERTY, PLANT AND EQUIPMENT, note 23. LEASES and note 25. INTANGIBLE ASSETS to the consolidated financial statements. The Group has reported significant net book value of property, plant and equipment, right-of-use assets and goodwill balances of ¥105,206 million, ¥79,048 million and ¥2,277 million, respectively, as at 31 March 2020. The Group recognises its right to use assets for the lease term as the right-of-use assets in accordance with IFRS 16 Leases, which was adopted as from 1 April 2019. Most of the property, plant and equipment, right-of-use assets and goodwill relates to the Group's pachinko halls. The Group has considered an individual pachinko hall as a cash-generating unit ("CGU") based on business activities at an impairment test. An impairment test requires exercise of significant management judgement to determine the recoverable amounts of cash generating units (CGUs). The recoverable amounts of CGUs are based on the higher of fair value less costs of disposal and value in use calculations that require significant management judgement with respect to determining the pre-tax discount rate and underlying cash flows, in particular with respect to future revenue growth rates and operating costs on the business plans approved by the management for the following years. Based on the management's impairment assessments, the impairment losses of ¥266 million and ¥449 million for the property, plant and equipment and the right-of-use assets, respectively, was recognised for the year. No impairment loss relating to the goodwill was recorded for the year. We identified this matter as the key audit matter in our audit given that the net book value of property, plant and equipment, right-of-use assets and goodwill balances are material, and the future revenue growth rates and operating costs on the business plans for the following years, used to determine the recoverable amounts of the CGUs, are highly involved by the management judgement under the outbreak of the coronavirus (COVID-19) since January 2020.	As part of our audit, we performed the following procedures related to the management's impairment assessment: • Obtained, understood and evaluated management's valuation methodology for impairment and value in use calculations; • Assessed the reasonableness of key assumptions used in the calculation of discounted future cash flows, such as the pre-tax discount rate, revenue growth rate and operating cost structure, by reference to management's forecast, the Group's past performance and our knowledge of the Group's business and industry, taking into consideration the Group's strategy to shift its focus to low playing cost games and the challenging business environment that the entire industry has to face; • Evaluated the impact of COVID-19 especially in the key assumptions used in the calculation of discounted future cash flows, such as the impact to the business performance due to the decreasing of the customers visited at the halls, the operation suspended in accordance with the request by the local governments, and recovery plan after re-opening of the operation which was suspended, in consideration with the Japanese government and also the local governments' strategy for COVID-19; • Agreed key assumptions to supporting evidence, such as the approved budgets upon which forecasts were based. We evaluated the reasonableness of using these as a basis for estimating future cash flows, in particular, for the CGUs that had lower headroom between the carrying values and the value in use; • Tested mathematical accuracy of the calculation of value in use derived from each discounted future cash flow; • Tested the calculation of the impairment loss by comparing the carrying amount of the CGU with the value in use, and verified the amount of loss was recognized for the year ended 31 March 2020; and • Evaluated the appropriateness of the related disclosures including those relating to the key assumptions and sensitivities. We determined the assumptions made by management in relation to the value in use calculations and the future cash flows to be supportable based on and consistent with the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yoshihisa Chiyoda.

PricewaterhouseCoopers Aarata LLC
Certified Public Accountants

Japan, 27 May 2020

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020 ¥ million**	2019 ¥ million
Revenue	12	**141,919**	146,371
Hall operating expenses	13(a)	**(121,912)**	(128,024)
General and administrative expenses	13(b)	**(5,020)**	(5,023)
Other income	15(a)	**9,010**	8,971
Other operating expenses	15(b)	**(2,483)**	(2,953)
Operating profit		**21,514**	19,342
Finance income	16	**461**	471
Finance expenses	17	**(2,469)**	(444)
Profit before income tax		**19,506**	19,369
Income taxes	18	**(6,759)**	(6,778)
Net profit for the year		**12,747**	12,591
Net profit attributable to:			
Owners of the Company		**12,748**	12,596
Non-controlling interests		**(1)**	(5)
Net profit		**12,747**	12,591
Earnings per share	21		
Basic (¥)		**16.6**	16.4
Diluted (¥)		**16.6**	16.4

The notes on pages 59 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020** **¥ million**	2019 ¥ million
Net profit for the year		**12,747**	12,591
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive (loss)/income		**(921)**	233
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		**45**	7
		(876)	240
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(304)**	646
		(304)	646
Other comprehensive (loss)/income for the year, net of tax	43	**(1,180)**	886
Total comprehensive income for the year		**11,567**	13,477
Attributable to:			
Owners of the Company		**11,567**	13,481
Non-controlling interests		**0**	(4)
		11,567	13,477

The notes on pages 59 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

AT 31 MARCH 2020

	Note	2020 ¥ million	2019 ¥ million
Non-current assets			
Property, plant and equipment	22,47	**105,206**	95,445
Right-of-use assets	23	**79,048**	–
Investment properties	24	**2,928**	1,351
Intangible assets	25	**3,623**	3,112
Financial assets measured at fair value through other comprehensive income	26	**2,813**	3,774
Lease receivables	34	**5,478**	1,254
Deferred tax assets	37	**14,706**	10,615
Other non-current assets	27	**7,639**	9,906
		221,441	125,457
Current assets			
Inventories	28	**3,378**	1,949
Trade receivables	9(b)	**554**	614
Lease receivables	34	**2,137**	81
Prizes in operation of pachinko halls	29	**4,574**	3,791
Other current assets	30	**3,345**	5,903
Cash and cash equivalents	31	**41,810**	47,537
		55,798	59,875
TOTAL ASSETS		**277,239**	185,332
Current liabilities			
Trade and other payables	32	**14,801**	19,297
Borrowings	33	**3,008**	2,124
Finance lease payables	34	**–**	227
Lease payables	23	**12,185**	–
Provisions	38	**2,054**	2,013
Income taxes payables		**3,301**	4,310
Other current liabilities	36	**8,679**	8,481
		44,028	36,452
Net current assets		**11,770**	23,423
Total assets less current liabilities		**233,211**	148,880

Consolidated Statement of Financial Position (Continued)

AT 31 MARCH 2020

	Note	**2020** **¥ million**	2019 ¥ million
Non-current liabilities			
Deferred tax liabilities	37	**21**	8
Borrowings	33	**10,220**	502
Finance lease payables	34	**–**	353
Lease payables	23	**81,611**	–
Other non-current liabilities	39	**1,027**	687
Provisions	38	**5,600**	5,530
		98,479	7,080
NET ASSETS		**134,732**	141,800
Capital and reserves			
Share capital	40	**15,000**	15,000
Capital reserve	42(a)	**12,741**	12,741
Retained earnings	42(a)	**109,317**	115,204
Other component of equity	42(a)	**(2,305)**	(1,124)
Equity attributable to owners of the Company		**134,753**	141,821
Non-controlling interests		**(21)**	(21)
TOTAL EQUITY		**134,732**	141,800

The notes on pages 59 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to equity holders of the Company									
				Other component of equity						
	Share capital ¥ million	Capital reserve ¥ million	Retained earnings ¥ million	Fair value of financial assets at FVTOCI ¥ million	Foreign currency translation reserve ¥ million	Other reserves ¥ million	Total ¥ million	Total ¥ million	Non-controlling interests ¥ million	Total equity ¥ million
At 1 April 2018	15,000	12,741	114,106	(5,080)	750	15	(4,315)	137,532	(17)	137,515
Profit for the year	–	–	12,596	–	–	–	–	12,596	(5)	12,591
Other comprehensive income for the year	–	–	–	240	645	–	885	885	1	886
Transfer to retained earnings	–	–	(2,306)	2,316	–	(10)	2,306	–	–	–
Total comprehensive income for the year	–	–	10,290	2,556	645	(10)	3,191	13,481	(4)	13,477
2019 dividend	–	–	(9,192)	–	–	–	–	(9,192)	–	(9,192)
Total changes in equity for the year	–	–	1,098	2,556	645	(10)	3,191	4,289	(4)	4,285
At 31 March 2019	15,000	12,741	115,204	(2,524)	1,395	5	(1,124)	141,821	(21)	141,800
At 1 April 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)**
Profit for the year	**–**	**–**	**12,748**	**–**	**–**	**–**	**–**	**12,748**	**(1)**	**12,747**
Other comprehensive income for the year	**–**	**–**	**–**	**(876)**	**(305)**	**–**	**(1,181)**	**(1,181)**	**1**	**(1,180)**
Total comprehensive income for the year	**–**	**–**	**12,748**	**(876)**	**(305)**	**–**	**(1,181)**	**11,567**	**0**	**11,567**
2020 dividend	**–**	**–**	**(9,192)**	**–**	**–**	**–**	**–**	**(9,192)**	**–**	**(9,192)**
Total changes in equity for the year	**–**	**–**	**3,556**	**(876)**	**(305)**	**–**	**(1,181)**	**2,375**	**0**	**2,375**
At 31 March 2020	**15,000**	**12,741**	**109,317**	**(3,400)**	**1,090**	**5**	**(2,305)**	**134,753**	**(21)**	**134,732**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020** **¥ million**	2019 ¥ million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**19,506**	19,369
Adjustments for:			
Finance expenses		**2,469**	444
Finance income		**(461)**	(471)
Depreciation		**10,668**	10,968
Depreciation of right-of-use assets		**10,406**	–
Amortisation of intangible assets		**371**	355
Loss on disposals and write off of property, plant and equipment		**589**	208
Gain on disposals and write off of investment properties		**–**	(7)
Impairment loss on property, plant and equipment		**266**	561
Impairment loss on right-of-use assets		**449**	–
Impairment loss on intangible assets		**–**	353
Fair value loss from investment properties		**81**	42
Other adjustments		**25**	54
Operating profit before working capital changes:		**44,369**	31,876
(Increase)/decrease in prizes in operation of pachinko halls		**(783)**	322
(Increase)/decrease in inventories		**(1,535)**	913
Decrease/(increase) in trade receivables		**50**	(147)
Decrease in other non-current assets		**87**	545
Decrease/(increase) in other current assets		**1,204**	(953)
Increase in lease receivables		**(81)**	(509)
(Decrease)/increase in trade and other payables		**(4,098)**	323
Increase in other current liabilities		**154**	528
Increase/(decrease) in other non-current liabilities		**140**	(110)
Increase in current provisions		**41**	42
Cash generated from operations		**39,548**	32,830
Income taxes paid		**(7,440)**	(5,269)
Finance expenses paid		**(2,037)**	(68)
Net cash generated from operating activities		**30,071**	27,493

Consolidated Statement of Cash Flows (Continued)

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 ¥ million	2019 ¥ million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(24,331)**	(8,337)
Proceeds from disposal of property, plant and equipment		**3**	4
Purchase of investment properties		**(994)**	–
Proceeds from disposal of investment properties		**1**	104
Purchase of intangible assets		**(899)**	(273)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		**5**	2,762
Payments for asset retirement obligations		**(19)**	(78)
Collection of loans receivable		**8**	101
Payment of rental deposits		**(275)**	(169)
Proceeds from refund of rental deposits		**156**	201
Finance income received		**394**	392
Other adjustments		**–**	1
Net cash used in investing activities		**(25,951)**	(5,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised	35	**14,633**	3,004
Repayment of bank loans	35	**(4,032)**	(8,982)
Repayment of leases payables	35	**(11,010)**	(263)
Dividends paid	20	**(9,192)**	(9,192)
Net cash used in financing activities		**(9,601)**	(15,433)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(246)**	236
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,727)**	7,004
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**47,537**	40,533
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	**41,810**	47,537
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**41,810**	47,537

The notes pages 59 to 137 are an integral part of these consolidated financial statements.

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, 32nd Floor, 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 consolidated financial statements of the Company as at 31 March 2020 consist 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 consolidated financial information was approved and authorised for issuance by the Board of Directors on 27 May 2020.

In the opinion of the directors of the Company, as at 31 March 2020, Mr. Yoji Sato and Sato Family Members are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income and investment properties which are carried at their fair value.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Japanese Yen, which is the functional currency of the Company and rounded to the nearest million yen, unless otherwise stated.

4. USE OF ESTIMATES AND JUDGEMENTS

In the preparation of the Group's consolidated financial statements, 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.

5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new standards and amendments have been issued and effective for annual periods beginning on 1 April 2019, with no material impact on the Group's results of operations and financial position except for IFRS 16:

— 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'

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.

In accordance with transitional reliefs for IFRS 16, the Group has recognised 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 1 April 2019.

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.

5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 Leases *(Continued)*

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 at 31 March 2019 applying IAS 17, the following adjustments were made between the amount discounted at the incremental borrowing rate as at the date of initial application and the amount of lease liabilities recognised in the consolidated statement of financial position at the date of initial application:

	(Millions of yen)
Operating lease contracts disclosed as at 31 March 2019	3,127
Amount discounted using incremental borrowing rate at the date of initial application	2,915
Add: Finance lease liabilities recognised at end of the previous fiscal year	580
Add: Present discounted value of cancelable operating lease contracts (note)	90,944
Recognition exemption rules	
(Less): Short-term leases	(102)
(Less): 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.

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

Right-of-use assets recognised upon application of IFRS 16:

	1 April 2019 ¥ million
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**

5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 Leases *(Continued)*

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

	31 March 2020 **¥ million**	1 April 2019 ¥ million
Properties	**78,565**	78,840
Tools and equipment	**134**	357
Motor vehicles	**99**	72
Others	**250**	90
Total right-of-use assets	**79,048**	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 ¥835 million on Consolidated Statement of Profit or Loss.

Consolidated Statement of Cash Flows:

Cash flows from operating activities increased by ¥10,561 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 recognised at the date of initial application of IFRS 16 is approximately 2.1%.

6. 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 consolidated financial statements, but the Group has not early adopted are as follows. The impact to the consolidated financial statements 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

7. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 8 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) ***Consolidation*** *(Continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Comprehensive losses arising from subsidiaries are allocated to the owners of the Company and non-controlling interests even if the balances of non-controlling interests are a negative figure.

The financial statements of the subsidiaries are adjusted to prepare for the same reporting period as the Group if closing dates of the subsidiaries are different from the date of consolidated financial statements.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the end when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) ***Merger accounting for business combinations under common control***

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 1 December 2011.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group (the "Continuing Group"). Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the companies comprising the Group for the three years ended 31 March 2012, rather than from the date on which the Reorganisation was completed.

The Continuing Group was both controlled by the shareholders of DYNAM HOLDINGS Co., Ltd. ("Dynam Holdings") both before and after the Reorganisation, thus, the Reorganisation was accounted for as a business combination of entities under common control. The financial statements of the Continuing Group have been prepared based on the principles and procedures of merger accounting as if the Reorganisation had occurred from the date when the combining entities first came under the control of the shareholders of Dynam Holdings.

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) ***Merger accounting for business combinations under common control*** *(Continued)*

The consolidated statements of profit or loss and consolidated statement of comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) ***Business combinations (other than under common control)***

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the

— consideration transferred,

— amount of any non-controlling interest in the acquired entity, and

— acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in consolidation profit or loss as a bargain purchase.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Japanese yen ("¥" or "JPY"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) ***Foreign currency translation*** *(Continued)*

(iii) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(f) ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

(g) ***Property, plant and equipment***

Property, plant and equipment, including purchased aircraft on operating lease to airline operators, are stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost also includes the initially estimated costs of dismantling and removing the item and restoring the site to the original state.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates appropriate to write off their cost less their residual values over the estimated useful lives on a straight-line basis and reducing balance basis. The principal useful lives are as follows:

Freehold land	Not applicable
Buildings including leasehold improvements	2–50 years
Tools and equipment	2–20 years
Motor vehicles	2–6 years
Aircrafts	20–25 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings and structures under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

Accounting policies applied from 1 April 2019

The Group assesses 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 reviews 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 determines 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.

The Group as lessee

(i) 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.

(ii) 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;

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) ***Leases*** *(Continued)*

The Group as lessee *(Continued)*

(ii) *Lease liability (Continued)*

- 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 recognised in profit or loss.

(iii) *Short-term and low-value leases*

The Group elects 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.

The Group as 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.

(i) *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 recognised 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 recognised in the fiscal year to which it is attributable.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) ***Leases*** *(Continued)*

The Group as lessor *(Continued)*

(ii) *Operating leases*

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

(iii) *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.

Accounting policies applied until 31 March 2019

The Group as lessee

(i) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases *(Continued)*

The Group as lessor

(i) 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 recognised 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 recognised in the fiscal year to which it is attributable.

(i) Investment properties

Investment properties are land, buildings and structures held for long-term rental yields or for capital appreciation or both. An investment property is measured initially at its cost including all direct costs attributable to the property. After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer.

Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(j) Intangible assets

(i) Goodwill

Goodwill arises on the acquisitions of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

(ii) Trademarks and Computer software

Trademarks and Computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives as follows:

Trademarks	10 years
Computer software	5 years

(iii) Lease Intangible

Where it is apparent that there is a lease intangible asset or liability associated with a purchase transaction, the intangible asset or liability associated with the lease is recognised as a separate component of aircraft cost and is amortised over the current lease period ranged from 5 to 7 years.

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

(k) Inventories

(i) Supplies

Supplies represent pachinko and pachislot machineries and consumables for use in the operation of halls and are stated at the lower of cost and net realisable value.

Pachinko and pachislot machineries which are not yet installed for the use in a pachinko hall are stated on the individual costing basis. The carrying amount is reduced to the net realisable value when the value becomes lower than the cost.

Cost of consumables for use in the operation of halls is determined using the first in, first out basis.

(ii) Property under development for sale

Property under development for sale are carried at the lower of cost and net realisable value.

The cost of property under development for sale comprises specifically identified cost, including aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Prizes in operation of pachinko halls

Prizes are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds less selling expenses. Cost is determined using the weighted average basis.

(m) Financial assets

(i) Derivative instruments and hedge accounting

The Group utilises derivative instruments primarily to manage interest rate risks and to reduce exposure to movements in foreign exchange rates. The Group initially recognises derivatives as assets or liabilities at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. For derivatives designated as qualifying hedge instruments, subsequent changes in fair value are recognised according to the objective and designation of the hedge. Subsequent changes in the fair value of derivatives not designated as qualifying hedging instruments are recognised in profit or loss.

(ii) Non-derivative financial assets

Initial Recognition and measurement

The Group recognises trade receivable and other receivables on the date they arise and all other financial assets on the trade date when the Group became a party to the contract concerning such financial instruments.

At the point of initial recognition, the Group classifies financial assets into the following categories: an asset category measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset.

The Group recognises financial assets at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets except for those financial assets that subsequent change in fair value is recognised in profit or loss. For financial assets measured at FVTPL, transaction costs are recognised in profit or loss when they occur.

Subsequent measurement

Subsequent measurement of financial assets after initial recognition depends on the classifications of financial assets as follows:

(1) Financial assets measured at amortised cost

The Group measures financial assets at amortised cost when both of the following conditions are met:

— the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial assets (Continued)

(ii) Non-derivative financial assets *(Continued)*

Subsequent measurement (Continued)

(1) Financial assets measured at amortised cost (Continued)

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the end of each reporting period, interest revenue is calculated by using the effective interest method, applying the effective interest rate to the gross carrying amount of financial assets.

In case where financial assets measured at amortised cost is derecognised, the difference between the carrying amount and the consideration received or receivable is recognised in profit or loss.

(2) Financial assets measured at fair value through other comprehensive income

The Group measures financial assets at FVTOCI when both of the following conditions are met:

— the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

— the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in the fair value of financial assets measured at FVTOCI are recognised in other comprehensive income until derecognised. Upon derecognition, the accumulated changes are reclassified from equity to profit or loss.

Interest revenue from these financial assets is recognised directly in profit or loss.

In addition to those financial assets meeting both of the conditions above and measured at FVTOCI, the Group presents subsequent changes in fair value of particular investments in equity instruments in other comprehensive income when at initial recognition, the Group makes an irrevocable election on those investments in equity instruments that are not held with the objective of obtaining gains on short-term sales.

Dividends from these investments are recognised in profit or loss.

(3) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets that are other than those categorised in (1) and (2) above are categorised as financial assets measured at FVTPL.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) ***Financial assets*** *(Continued)*

(iii) Impairment

Financial assets measured at amortised cost and fair value through other comprehensive income (i.e. loans, debt securities, and accounts receivables), lease receivables and certain loan commitments and financial guarantee contracts are assessed for credit risks.

The Group recognises either a 12-months' or lifetime expected credit losses (ECL) depending on whether there has been a significant increase in credit risk since initial recognition. When there is a significant increase in credit risk, an allowance is recognised for ECL resulting from possible defaults over the expected life of the financial instrument. When there is not, an allowance is recognised for ECL resulting from possible defaults within the next 12 months.

An impairment gain or loss, the amount required to adjust the loss allowance at the reporting date is recognised in profit or loss.

The assessment of credit risk and the estimation of ECL are to be unbiased and probability-weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the reporting date.

(iv) Derecognition of financial assets

The Group derecognises financial assets when and only when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred.

(v) Presentation of financial assets and liabilities

When both of the following conditions are met, financial assets and financial liabilities are offset and the net amount is disclosed in the consolidated statement of financial position.

— The Group currently has a legally enforceable right to offset the recognised amounts; and

— The Group intends to settle on a net amount basis or to simultaneously realise the asset and settle the liability.

(n) ***Financial liabilities***

The Group has non-derivative financial liabilities including loans payable, trade and other payables and derivative financial liabilities.

(For derivative financial liabilities, refer to (m) Financial assets (i) Derivative instruments and hedge accounting for further details.)

Non-derivative financial liabilities are initially recognised at fair value minus transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, changes in fair value of the financial liabilities are measured at amortised cost based on the effective interest method with interest expense recognised on an effective yield basis.

Non-derivative financial liabilities are derecognised when the underlying obligation specified in the contract is discharged, cancelled or expires.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions and short-term highly liquid financial assets with original maturities of three months or less and subject to an insignificant risk of change in value. Although the bank overdrafts arisen due to the Group's cash management policy are repaid upon demand from financial institutions, the amount of overdrafts is included as a component of cash and cash equivalents.

(p) Revenue recognition

In accordance with IFRS 15, revenue is recognised based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customers.

The principal activities of the Group are operations of pachinko and pachislot games halls which provide a series of services from renting pachinko balls and pachislot tokens to exchanging prizes.

Revenue from pachinko and pachislot games represents the gross pay-ins, less gross payouts to customers.

Gross pay-ins represents the amount received from pachinko balls and pachislot tokens rented to customers less unutilized balls and tokens. Gross payouts represents the aggregate cost of G-prize and general prize exchanged by customers.

A contract liability of unutilized balls for which the Group has received consideration from the customers represents the Group's obligation to transfer services to customers.

Other service income is recognised as follows.

Income from commission of vending machines and store merchandising are recognised over the periods by the contract conditions.

Income from invalidation of saved balls, which means a deposit of balls in the customer's membership card, and can be withdrawn and used for exchanging for prizes or playing games in the future, is recognised when the right is expired by the membership terms and conditions.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) ***Revenue recognition*** *(Continued)*

Income from invalidation of unused amount in pre-paid IC card, which means the prepaid cash amount, exchanged to balls and tokens in the future, is recognised when the right is expired.

For property held for sale, sales revenue is recognised at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when goods are received by customers or acceptance from customers is received.

Finance lease income is recognised as revenue in each period according to the effective interest rate method during the lease term. Amounts due from lessees under finance leases are recognised 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 recognised in the fiscal year to which it is attributable.

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

Interest income is recognised on the effective interest method. Dividend income is recognised when the shareholders' rights to receive payment are established.

Accounting policies of finance leases revenue and rent income applied from the fiscal year started from 1 April 2018 to 31 March 2019

For certain transactions that are accounted for as finance leases, revenue is recognised upon lease commencement of the lease term which the lessee is entitled to exercise its right to use the leased asset.

Rent income is recognised on a straight-line method over the lease term.

(q) ***Employee benefits***

(i) Short-term employee benefits

The Group recognises the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered.

A provision is made for the estimated liability for annual leave and long service leave when the Group has a present obligation (legal or constructive) as a result of services rendered by employees up to the end of the reporting period and reliable estimate can be made of the amount of the obligation.

(ii) Defined contribution retirement plans

The Group contributes to defined contribution retirement plans which are available to eligible employees.

Contributions to the plans by the Group are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contributions payable by the Group to the funds.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

Current tax is calculated based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it includes items from previous years that were not deductible or taxable, excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

(s) Impairment of non-financial assets

(i) Impairment of tangible, right-of-use assets and intangible assets except goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, right-of-use assets and intangible assets except goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of non-financial assets *(Continued)*

(i) Impairment of tangible, right-of-use assets and intangible assets except goodwill *(Continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(ii) Impairment of goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed.

(t) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

In assessing present value, the estimated future expenditures are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

(u) Maintenance reserves

Amounts of the maintenance reserves are calculated in line with the respective leasing agreements and are paid monthly in arrears. Amounts not refunded during the duration of the lease are recognised in the Consolidated Statement of Comprehensive Income when the obligation under the maintenance events is discharged or cancelled or expired.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Treasury share

The Company's own equity instruments which are reacquired are recognised at cost including acquisition related costs, after tax effects, as a deduction from equity.

When the Company cancels treasury shares, carrying amount of the shares is recognised as the deduction to capital reserves.

No gain or loss is recognised in profit or loss on reacquisition, sale, or cancellation of the Group's own equity instruments. Any differences between the carrying amount and the consideration is recognised in equity.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, contingent liabilities and their accompanying disclosures.

The estimates and underlying assumptions are based upon historical experience and other factors that are believed to be reasonable under the circumstances.

Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates and assumptions.

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.

Estimates and judgments made by management that have a significant effect on the amounts recognised in the consolidated financial statements are as follows:

(a) Impairment of property, plant and equipment and right-of-use asset

The Group assesses annually whether property, plant and equipment and right-of-use asset has any indication of impairment in accordance with the accounting policy. The recoverable amount of property, plant and equipment and right-of-use asset is determined from the higher of fair value less costs of disposal and value in use calculation. This calculation requires the use of judgement and estimates.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment of goodwill

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The impairment test is performed by comparing carrying amount and the recoverable amounts of assets. The recoverable amount of goodwill is determined from the higher of fair value less costs of disposal and value in use calculation. If the recoverable amount declines below the carrying amount, impairment losses are recognised. The recoverable amount under value in use calculation is mainly calculated based on the discounted cash flow model. Certain assumptions are made for the discount rates, the growth rates, gross pay-ins from customers and operating costs.

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required for calculation of current income taxes. When the final income tax amount is different from initial estimation, such difference will impact on current and deferred tax in the current fiscal year.

9. 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.

(a) Market risk

(i) 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.

At 31 March 2020, if the JPY had weakened or strengthened 10% against the HK$ with all other variables held constant, consolidated profit after tax for the year would have been ¥31 million (2019: ¥18 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in HK$.

At 31 March 2020, if the JPY had weakened or strengthened 10% against the USD with all other variables held constant, consolidated profit after tax for the year would have been ¥516 million (2019: ¥1,004 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in USD.

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) ***Market risk*** *(Continued)*

(ii) 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.

The table below summarises the impact of increases/decreases of the two equity indexes on the consolidated other comprehensive income. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Impact on other comprehensive income	**2020** **¥ million**	2019 ¥ million
Hang Seng Index		
5%	**78**	119
(5%)	**(78)**	(119)
Tokyo Price Index		
5%	**13**	18
(5%)	**(13)**	(18)

The consolidated other comprehensive income would increase/decrease as a result of change in fair value on equity securities.

This change in fair value has no impact in profit or loss in that the equity securities hold as at 31 March 2020 and 2019 are categorized into financial assets measured at FVTOCI whose subsequent changes in fair value are presented in other comprehensive income.

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) ***Market risk*** *(Continued)*

(iii) 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.

At 31 March 2020, it is estimated that a general increase/(decrease) of 25 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

Increase/(decrease) in interest rate	**2020** **¥ million**	2019 ¥ million
25 basis points	**5**	2
(25) basis points	**(5)**	(2)

The sensitivity analysis above indicates the impact on the Group's profit for the year that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates.

(b) ***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.

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) ***Credit risk*** *(Continued)*

In order to minimise credit risk, management have 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 receivables and finance lease receivables 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.

The credit risk on cash and bank balances and derivative financial instruments are limited because the customers are banks with high credit ratings assigned by international credit-rating agencies. The credit quality of the customers in respect of trade receivables and financial lease receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, management is of the opinion that risk of default by these customers is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the customer fails to make contractual payments within a reasonable period of time when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables and financial lease receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit terms generally range from 1 to 30 days for those trade receivables.

The gross carrying amount of trade receivable is 554 million yen as at 31 March 2020 (2019: 614 million yen).

The Group's aging analysis of trade receivables, based on invoice date, is as follows:

	2020 **¥ million**	2019 ¥ million
1 to 30 days	**525**	504
31 days to 60 days	**15**	31
Over 60 days	**14**	79
	554	614

There is no significant past due balance nor loss allowance provision recognised for trade receivables as at 31 March 2020 (2019: Nil).

9. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) 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 longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Maturity Analysis — undiscounted cash outflows				
	Less than 1 year ¥ million	**Between 1 and 2 years ¥ million**	**Between 2 and 5 years ¥ million**	**Over 5 years ¥ million**	**Total ¥ million**
At 31 March 2020					
Trade and other payables	**14,801**	**–**	**–**	**–**	**14,801**
Other current liabilities	**8,679**	**–**	**–**	**–**	**8,679**
Borrowings	**3,354**	**1,521**	**5,256**	**4,726**	**14,857**
Lease payables	**14,024**	**12,496**	**28,047**	**51,629**	**106,196**
Other non-current liabilities	**–**	**140**	**269**	**619**	**1,028**
	40,858	**14,157**	**33,572**	**56,974**	**145,561**

	Maturity Analysis — undiscounted cash outflows				
	Less than 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
At 31 March 2019					
Trade and other payables	19,297	–	–	–	19,297
Other current liabilities	8,481	–	–	–	8,481
Borrowings	2,133	414	90	–	2,637
Finance lease payables	244	160	211	–	615
Other non-current liabilities	–	109	74	509	692
	30,155	683	375	509	31,722

10. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The overall strategy remained unchanged during the current fiscal year.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising share capital, capital reserve and retained earnings.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through arrangement of borrowings, payment of dividends, repurchase and cancellation of shares and new shares issued.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. However, the Group have applied a wavier under Rule 8.08(1)(d) of the Listing Rules in which the Stock Exchange accepted a lower public float percentage of approximately 20.9% of the Group total issued share capital. Based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Stock Exchange during the period from 1 April 2019 to 31 March 2020.

The Group will consider cash and cash equivalents, borrowings and equity attributable to owners of the Company. The amount of liability, cash and cash equivalents and equity at 31 March 2020 and 2019 are as follows:

	2020 **¥ million**	2019 ¥ million
Total liability	**142,507**	43,532
Less: cash and cash equivalents	**(41,810)**	(47,537)
Net liability/(cash)	**100,697**	(4,005)
Total liability and total equity	**277,239**	185,332

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Notes	**At 31 March 2020 ¥ million Carrying amount**	**At 31 March 2020 ¥ million Fair value**	At 31 March 2019 ¥ million Carrying amount	At 31 March 2019 ¥ million Fair value
Financial assets					
Financial assets measured at FVTOCI	26	**2,813**	**2,813**	3,774	3,774
Financial assets measured at amortised cost					
Receivables (including cash and cash equivalents)		**43,207**	**43,207**	50,273	50,273
Rental deposits		**6,190**	**6,575**	6,273	6,719
Lease receivables	34	**7,615**	**7,615**	1,335	1,335
Total		**59,825**	**60,210**	61,655	62,101
Financial liabilities					
Financial liabilities measured at amortised cost					
Trade payables and other financial liabilities		**7,352**	**7,352**	9,447	9,447
Borrowings	33	**13,228**	**13,228**	2,626	2,626
Finance lease payables		**–**	**–**	580	580
Lease payables	34	**93,796**	**93,796**	–	–
Total		**114,376**	**114,376**	12,653	12,653

Income, expenses and gain and losses recognised in the consolidated statement of profit or loss for the financial instruments:

Financial assets	Notes	**2020 ¥ million**	2019 ¥ million
Dividends from equity investments held at FVTOCI	16		
Related to investment derecognised during the reporting period		**–**	56
Related to investments held at the end of the reporting period		**29**	217
Total		**29**	273

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

(a) Fair Value measurement

(i) Financial assets measured at fair value through other comprehensive income

The fair values of listed investments are based on quoted bid prices at the end of the reporting period. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using reasonable valuation.

(ii) Receivables (including cash and cash equivalents)

The fair values of the Group's financial assets, including trade and other receivables, and cash and cash equivalents approximate their carrying amounts due to their short-term maturities.

(iii) Rental deposits

Rental deposits are measured at present value discounted by the interest rate which takes into account duration and credit risk.

(iv) Lease receivables

Finance lease receivables are measured at present value discounted by the interest rate which takes into account duration and credit risk.

(v) Financial assets at amortised cost

These financial assets are measured based on quoted bid prices at the end of the reporting period.

(vi) Financial liabilities

Financial liabilities which include borrowings and lease obligations are subsequently measured, by each liabilities classified by period, at present value discounted by the interest rate which takes into account duration and credit risk. The carrying amounts of financial liabilities other than above approximate their fair values, hence they are settled in short term.

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

(b) 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 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.

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

(c) Recognised fair value measurements

Assets and liabilities that are measured at fair value on a recurring basis

At 31 March 2020

Description	**Fair value measurements using:**			
	Level 1	**Level 2**	**Level 3**	**Total**
	¥ million	**¥ million**	**¥ million**	**¥ million**
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	**1,557**	**–**	**–**	**1,557**
Listed securities in Japan	**380**	**–**	**–**	**380**
Others	**–**	**–**	**876**	**876**
Total	**1,937**	**–**	**876**	**2,813**

At 31 March 2019

Description	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	¥ million	¥ million	¥ million	¥ million
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 are no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

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

(d) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial statements include:

- the use of net asset value method
- the use of quoted 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.

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

Changes in level 3 for the year ended 31 March 2020 and 2019:

	2020 **¥ million**	2019 ¥ million
Balance at beginning of the period	**878**	867
(Loss)/Profit in other comprehensive income	**(2)**	9
Purchases	**–**	2
Sales/Redemptions	**(0)**	(0)
Balance at end of the period	**876**	878

(f) Valuation inputs and relationship to fair value

The information about the significant unobservable inputs used in level 3 fair value measurements:

Level 3 fair value measurements

			Fair value at	
Description	**Valuation technique**	**Unobservable inputs**	**31 Mar 2020** **¥ million**	31 Mar 2019 ¥ million
Unlisted equity securities and others	Net asset value method	The investees net asset book value	**876**	878

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

(g) 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 level 3 fair value measurements, the Group engages external, independent and qualified valuers to determine the fair value of the Group's financial instruments.

(h) Assets and liabilities that are not measured at fair value in the consolidated statement of financial position but for which the fair value is disclosed

Following items are included within financial assets and liabilities which are not measured at fair value as at the reporting period. The fair value of these items are shown in the table below. Note that items with the carrying amounts which are reasonable approximation of fair values are not presented in the table.

At 31 March 2020

	Fair value measurements using:			
Description	**Level 1** **¥ million**	**Level 2** **¥ million**	**Level 3** **¥ million**	**Total** **¥ million**
Financial assets				
Rental deposits	**–**	**6,575**	**–**	**6,575**
Total	**–**	**6,575**	**–**	**6,575**

At 31 March 2019

	Fair value measurements using:			
Description	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Financial assets				
Rental deposits	–	6,719	–	6,719
Total	–	6,719	–	6,719

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

(i) Financial assets at fair value through other comprehensive income

(i) Equity investments at fair value through other comprehensive income comprise the following individual investments:

	2020 **¥ million**	2019 ¥ million
Non-current assets		
Macau Legend Development Limited *1	**1,557**	2,371
Others	**1,256**	1,403
	2,813	3,774

*1 Listed equity security.

The Group elects to present the subsequent change in fair value of investments in equity instruments in other comprehensive income when those investments are held for the objective that is to expand the medium and long-term revenue through maintenance and reinforcement of relationships with investees.

(ii) Disposal of equity investments

During the year ended 31 March 2020 and 2019, the Group did not have significant disposal of equity investment.

12. 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 the operations of pachinko halls and those related services are 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

	2020 **¥ million**	2019 ¥ million
Gross pay-ins	**732,862**	768,857
Less: Gross payouts	**(590,943)**	(622,486)
Revenue	**141,919**	146,371

13. HALL OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

(a) Hall operating expenses

	2020 **¥ million**	2019 ¥ million
Advertising expenses	**3,419**	3,954
Cleaning and ancillary services	**3,808**	3,975
Depreciation expenses	**10,224**	10,770
Hall staff costs	**47,282**	49,326
Pachinko and pachislot machine expenses	**27,753**	25,320
Depreciation expenses of right-of-use assets	**10,349**	–
Rental expenses	**169**	12,604
Repair and maintenance expenses	**3,413**	4,125
Utilities expenses	**5,554**	6,334
Others	**9,941**	11,616
	121,912	128,024

13. HALL OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES *(Continued)*

(b) General and administrative expenses

	2020 **¥ million**	2019 ¥ million
Salaries, bonus and allowances	**3,151**	3,119
Audit fee	**99**	96
Non-audit fee	**3**	7
Others	**1,767**	1,801
	5,020	5,023

14. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2020 **¥ million**	2019 ¥ million
Salaries, bonus and allowances	**54,170**	56,234
Contribution to defined contribution retirement plans	**933**	921
	55,103	57,155

15. OTHER INCOME AND OTHER EXPENSES

(a) Other income

	2020 **¥ million**	2019 ¥ million
Commission from vending machines and in-store sales	**4,729**	4,633
Income from forfeiture of customer's membership cards	**205**	221
Income from catering services	**918**	784
Sales revenue from property held for sale	**68**	161
Revenue from finance leases	**480**	841
Revenue from operating leases — aircraft	**564**	–
Net gains on disposals of used machines	**420**	221
Rental income	**652**	868
Insurance income	**–**	470
Others	**974**	772
	9,010	8,971

15. OTHER INCOME AND OTHER EXPENSES *(Continued)*

(b) Other operating expenses

	2020 **¥ million**	2019 ¥ million
Disposal cost of non-financial assets	**608**	158
Impairment loss of non-financial assets	**718**	924
Cost of sales of property held for sale	**26**	83
Cost of sales of finance leases	**180**	483
Cost of operating leases — aircraft	**399**	–
Rental cost	**130**	334
Loss on disaster	**–**	616
Others	**422**	355
	2,483	2,953

16. FINANCE INCOME

	2020 **¥ million**	2019 ¥ million
Bank interest income	**175**	21
Finance leases interest income	**173**	90
Dividend income	**29**	273
Others	**84**	87
	461	471

17. FINANCE EXPENSES

	2020 **¥ million**	2019 ¥ million
Interest expenses	**185**	100
Amortisation of syndicated loan charges	**82**	99
Foreign exchange loss, net	**237**	158
Interest on lease liabilities	**1,880**	–
Others	**85**	87
	2,469	444

18. INCOME TAXES

	2020 **¥ million**	2019 ¥ million
Current taxes — Japan Profits Tax		
Provision for the year	**6,396**	6,739
Under-provision in prior years	**–**	–
	6,396	6,739
Current taxes — Overseas		
Provision for the year	**37**	2
Under-provision in prior years	**–**	9
	37	11
Deferred taxes (Note 37)		
Provision for the year	**326**	28
Income tax expense	**6,759**	6,778

Hong Kong profits tax included in overseas taxation above has been provided at a rate of approximately 16% on the estimated assessable profit for the year ended 31 March 2020.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Japan Profits Tax rate is as follows:

	2020 **¥ million**	2019 ¥ million
Profit before tax	**19,506**	19,369
Japan Profits Tax rate	**31%**	31%
Tax at the domestic income tax rate	**6,136**	6,094
Tax effect of income that is not taxable	**(10)**	(65)
Tax effect of expenses that are not deductible	**573**	616
Tax effect of temporary differences not recognised	**(7)**	(23)
Tax losses not recognised	**124**	103
Under-provision in prior years	**–**	9
Effect of different tax rates of subsidiaries	**(69)**	(71)
Impairment loss of goodwill	**–**	111
Others	**12**	4
Income tax expense	**6,759**	6,778

19. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included two (2019: two) directors whose emoluments are reflected in the analysis presented in Note 51.

The emoluments of the remaining three (2019: three) individuals are set out below:

	2020 **¥ million**	2019 ¥ million
Salaries and allowances	**74**	74
Discretionary bonus	**12**	12
	86	86

The number of highest paid individuals whose remuneration fell within the following bands is as follows:

	2020 **Number of** **individuals**	2019 Number of individuals
HK$1,500,001 to HK$2,000,000 (equivalent to ¥21,045,014 to ¥28,060,000) (2019: equivalent to ¥21,210,014 to ¥28,280,000)	**1**	1
HK$2,000,001 to HK$2,500,000 (equivalent to ¥28,060,014 to ¥35,075,000) (2019: equivalent to ¥28,280,014 to ¥35,350,000)	**2**	2
HK$2,500,001 to HK$3,000,000 (equivalent to ¥35,075,014 to ¥42,090,000) (2019: equivalent to ¥35,350,014 to ¥42,420,000)	**–**	–
HK$3,000,001 to HK$3,500,000 (equivalent to ¥42,090,014 to ¥49,105,000) (2019: equivalent to ¥42,420,014 to ¥49,490,000)	**–**	–

No remunerations were paid by the Group to any of the directors or chief executive officer or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 March 2020 (2019: Nil).

20. DIVIDENDS

Dividends declared and paid/payable to its shareholders by:	**2020** Dividend per share ¥	**2020** Total dividends ¥ million	2019 Dividend per share ¥	2019 Total dividends ¥ million
— Interim	**6.00**	**4,596**	6.00	4,596
— Final	**3.00**	**2,298**	6.00	4,596
		6,894		9,192

On 27 May 2020, the Board of Directors declared a final dividend of ¥3.00 per ordinary share of the Company, which is payable on 24 June 2020 to the shareholders of the Company.

The amount of proposed final dividend for the year ended 31 March 2020 is based on 765,985,896 shares in issue as at 27 May 2020 when the consolidated financial statements was approved by the Board of directors.

If the Group owns any treasury shares as at 8 June 2020 when is the dividend record date, the amount of proposed final dividend represents the number of shares in issue, which exclude the number of treasury shares owned by the Group as at the date, multiplied by the amount of dividend per share.

21. EARNINGS PER SHARE

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

	2020 ¥ million	2019 ¥ million
Earnings for the purpose of calculating basic earnings per share	**12,748**	12,596
Weighted average number of ordinary shares	**765,985,896**	765,985,896
Basic earnings per share (¥)	**16.6**	16.4

Diluted earnings per share was the same as basic earnings per share for the year ended 31 March 2020 and 2019 as there were no dilutive potential ordinary shares in existence during the year ended 31 March 2020 and 2019.

22. PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥ million	Buildings including leasehold improvements ¥ million	Tools and equipment ¥ million	Motor vehicles ¥ million	Aircrafts ¥ million	Construction in progress ¥ million	Total ¥ million
Cost							
At 1 April 2018	31,936	147,497	80,802	221	–	160	260,616
Additions	–	278	622	4	–	7,516	8,420
Transfer	4	1,636	5,566	–	–	(7,206)	–
Disposals/write off	–	(830)	(2,892)	–	–	–	(3,722)
Translation	(1)	(2)	(12)	(3)	–	(22)	(40)
At 31 March 2019 and 1 April 2019	31,939	148,579	84,086	222	–	448	265,274
Transfer to right-of-use assets	–	(47)	(5,647)	–	–	–	(5,694)
Additions	59	416	361	4	16,569	5,957	23,366
Transfer	167	2,624	2,972	16	–	(5,779)	–
Disposals/write off	–	(1,282)	(2,961)	(7)	–	–	(4,250)
Translation	(3)	(14)	(30)	(5)	(14)	(38)	(104)
At 31 March 2020	32,162	150,276	78,781	230	16,555	588	278,592
Accumulated depreciation and impairment							
At 1 April 2018	2,862	97,540	61,274	146	–	–	161,822
Charge for the year	–	5,412	5,530	26	–	–	10,968
Impairment loss	91	301	169	–	–	–	561
Disposals/write off	–	(766)	(2,745)	–	–	–	(3,511)
Translation	–	–	(9)	(2)	–	–	(11)
At 31 March 2019 and 1 April 2019	2,953	102,487	64,219	170	–	–	169,829
Transfer to right-of-use assets	–	(25)	(5,291)	–	–	–	(5,316)
Impairment loss due to the adoption of IFRS 16(*)	117	1,243	315	1	–	–	1,676
Charge for the year	–	5,160	5,270	20	218	–	10,668
Impairment loss	129	66	71	–	–	–	266
Disposals/write off	–	(1,164)	(2,545)	(6)	–	–	(3,715)
Translation	–	(2)	(16)	(3)	–	–	(21)
At 31 March 2020	3,199	107,765	62,022	182	218	–	173,386
Carrying amount							
At 31 March 2020	28,963	42,511	16,759	48	16,337	588	105,206
At 31 March 2019	28,986	46,092	19,867	52	–	448	95,445

(*) This impairment loss is recorded as the cumulative effect of applying new standards and interpretations in the consolidated statement of changes in equity.

22. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group's freehold lands are analysed as follows:

	2020	2019
	¥ million	¥ million
Freehold		
Japan	**28,930**	28,950
South Korea	**33**	36
	28,963	28,986

(b) At 31 March 2020, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to ¥19,199 million (2019: ¥243 million).

The Group reviewed carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered impairment losses. In order to determine whether an indicator of impairment exists, property, plant, and equipment are generally grouped by the lowest level that generates independent cash flow.

For the operation of pachinko hall, the Group considered an individual pachinko hall as a cash-generating unit ("CGU") based on business activities. The recoverable amount of the CGU is determined from the higher of fair value less costs of disposal and value in use.

The key assumptions for the value in use calculations , approved by management are those regarding the remaining useful lives of the significant properties of CGU, discount rates, revenue growth rates, gross pay-ins from customers and operating costs during the year.

The remaining useful lives of the significant properties of CGU is the period for which value in use are calculated.

The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the circumstances specific to the CGU. In addition, the Group considers the impact from the outbreak of the coronavirus (COVID-19) since January 2020, including the operation suspended in April and May 2020, and business recovery after re-opening of the operation which was suspended, when the recoverable amounts of the CGU is determined.

The revenue growth rates are estimated zero at 31 March 2020 and 2019, respectively. Gross pay-ins from customers are based on past practices and expectations on market development. The operating costs of the CGUs are costs based on the current structure of the business, which does not reflect any future restructuring or cost saving measures.

Whereas the fair value less cost of disposal at 31 March 2020 was valued by JLL Morii Valuation & Advisory K.K. ("JLL"), which are independent and qualified firms of real estate appraiser.

The rate used to discount the free cash flow projections from the CGU's operating result is as follows:

	2020	2019
	%	%
Pre-tax discount rate	**4.8**	8.5

Impairment loss recognised for the year ended 31 March 2020 amounted to ¥266 million (2019: ¥561 million).

23. LEASES

The Group as lessee

(a) Leasing Activities

The Group leases certain land and buildings, tools and equipment and motor vehicles.

The initial average lease term of land and buildings leases is 19 years and the average lease term of tools and equipment and motor vehicles leases is 5 years respectively.

Some lease contracts include the option to extend or terminate the leases depending on the terms of the specific leases concerned.

The Group assesses whether it is reasonably certain to exercise that option and if so, exercising that option should be taken into account when determining a lease term.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

(b) Relating to the statement of financial position

The carrying amount of right-of-use assets comprises the following:

	2020 **¥ million**	1 April 2019 ¥ million
Properties	**78,565**	78,840
Tools and equipment	**134**	357
Motor vehicles	**99**	72
Others	**250**	90
Right-of-use assets	**79,048**	79,359

	2020 **¥ million**
Additions to right-of-use assets	**12,100**

23. LEASES *(Continued)*

The Group as lessee *(Continued)*

(c) Relating to the consolidated statement of profit or loss and other comprehensive income

	2020 ¥ million
Depreciation expense of right-of-use assets by class of underlying assets	
Properties	10,028
Tools and equipment	228
Motor vehicles	40
Others	110
	10,406
Interest expense on lease liabilities	1,880
Total	12,286
Expense relating to short-term leases for which the recognition exemption is applied (leases with a lease term of up to one month can be excluded)	26
Expense relating to leases of low-value items for which the recognition exemption is applied (expense relating to short-term leases of low-value assets shall not be included)	66
Lease expenses	12,378

Impairment loss recognised for the year ended 31 March 2020 amounted to ¥449 million.

(d) Relating to the statement of cash flows

	2020 ¥ million
Total cash outflow for leases	12,891

(e) Additional disclosures about leasing activities

	2020 ¥ million
Leases not yet commenced to which the lessee is committed	13,261

23. LEASES *(Continued)*

(f) At 31 March 2020, maturity analysis of the lease payables are as follows:

	2020 **¥ million**
Within one year	**12,185**
In the second to fifth years, inclusive	**35,352**
After five years	**46,259**
	93,796
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(12,185)**
Amount due for settlement after 12 months	**81,611**

The Group as lessor

(a) **Leasing Activities**

The Group leases properties held for sale under finance leases and leases aircrafts under operating leases.

The average lease term of properties held for sale is 15 years and the average lease term of aircrafts is 5.9 years respectively.

(b) **Relating to the consolidated statement of profit or loss and other comprehensive income**

	2020 **¥ million**
Selling profit or loss	**–**
Finance income on the net investment in the lease	**173**
Lease income relating to variable lease payments that do not depend on an index or rate	**–**
Revenue from finance leases	**480**
Revenue from operating leases	**564**
Revenue from leases	**1,217**

24. INVESTMENT PROPERTIES

The schedule of the carrying value amount of "Investment property" for each fiscal year is as follows:

	2020 **¥ million**	2019 ¥ million
Non-current asset — at fair value		
At beginning of year	**1,351**	1,490
Recognised on adoption of IFRS 16	**657**	–
Additions	**994**	–
Disposals	**(2)**	(97)
Net loss from fair value adjustment	**(81)**	(42)
Translation	**9**	–
At end of year	**2,928**	1,351

The investment properties at their carrying amounts are analysed as follows:

	2020 **¥ million**	2019 ¥ million
In Hong Kong		
Freehold	**1,003**	–
In Japan		
Freehold	**1,127**	1,168
Buildings on leasehold	**798**	183
	2,928	1,351

Amounts recognised in profit or loss for investment properties:

	2020 **¥ million**	2019 ¥ million
Amounts recognised in profit or loss for investment properties are as follows:		
Rental income	**652**	868
Direct operating expenses from properties	**(130)**	(334)
Net (loss)/gain on disposals of investment properties	**(1)**	7
Fair value loss recognised in other operating expenses	**(81)**	(42)
Total	**440**	499

24. INVESTMENT PROPERTIES *(Continued)*

(a) Fair value measurements

Investment properties, principally freehold commercial building, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

(b) Fair value estimation

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level at fair value hierarchy is provided in note 11.

(c) Recognised fair value measurements

Based on the fair value at 31 March 2020 and 2019 determined by JLL the Group performed valuation of its investment properties at 31 March 2020 and 2019 as follows:

At 31 March 2020

Description	Fair value measurements using: Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Investment properties				
Freehold	–	–	1,127	1,127
Buildings on leasehold	–	–	1,801	1,801
Total recurring fair value measurements	–	–	2,928	2,928

At 31 March 2019

Description	Fair value measurements using: Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Investment properties				
Freehold	–	–	1,168	1,168
Buildings on leasehold	–	–	183	183
Total recurring fair value measurements	–	–	1,351	1,351

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 are no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

24. INVESTMENT PROPERTIES *(Continued)*

(d) Valuation techniques used to determine level 2 and level 3 fair values

The financial controller updates his assessment of the fair value of each property, based on the fair value at 31 March 2020 determined by JLL and the fair value at 31 March 2019 determined by JLL.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the financial controller considers information from a variety of sources including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discount cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

All resulting fair value estimate for properties are included in level 3.

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

The changes in level 3 items for the year ended 31 March 2020 and 2019 for recurring fair value measurements:

	2020 **¥ million**	2019 ¥ million
Balance at beginning of the period	**1,351**	1,490
Recognised on adoption of IFRS 16	**657**	–
Additions	**1,003**	–
Disposals	**(2)**	(97)
Net loss from fair value adjustment	**(81)**	(42)
Balance at end of the period	**2,928**	1,351

* Unrealised gains or (losses) recognised in profit or loss attributable to assets held and leased at the end of the reporting period (included in gains/(losses) recognised in other income and other expenses above) .

2020	(81)
2019	(42)

24. INVESTMENT PROPERTIES *(Continued)*

(f) Valuation inputs and relationships to fair value

The qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	**Fair value 2020 ¥ million**	Fair value 2019 ¥ million	Relationship of unobservable input to fair value when the unobservable input increases
Investment properties	Income approach	Discount rate	12.0%			Decrease
		Rental period	2.5–23 years			Increase
		Capitalisation rate	6.0%–12.0%			Decrease
		Market rent	¥ 471–¥14,216 per tsubo	**2,883**	1,304	Increase
	Sales comparison approach	Transaction price for similar land	¥22,144–¥23,530 per square meter			Increase
		Adjustment for attributes of the subject (*)	54.0%	**45**	47	Increase
	Cost approach	Replacement Cost-Lands	¥14,500 per square meter			Increase
		Replacement Cost-Buildings	¥165,000–¥178,000 per square meter			Increase
		Accumulated depreciation rate	0%–100.0%	**–**	–	Decrease
				2,928	1,351	

(*) Including but not limited to scale, shape, size and possibility to get the development permission.

(g) Valuation process

An explanations of valuation process is provided in note 11.

25. INTANGIBLE ASSETS

The following is a movement schedule of goodwill, other intangible assets for the costs and accumulated amortisation and impairment losses.

	Goodwill ¥ million	Trademarks ¥ million	Computer software ¥ million	Lease Intangible ¥ million	Total ¥ million
Cost					
At 1 April 2018	2,677	44	5,608	–	8,329
Additions	–	–	283	–	283
Write off	–	–	(2,023)	–	(2,023)
At 31 March 2019 and 1 April 2019	2,677	44	3,868	–	6,589
Transfer to right-of-use assets	–	–	(12)	–	(12)
Additions	–	–	211	723	934
Write off	–	–	(456)	–	(456)
Translation	–	–	(0)	(2)	(2)
At 31 March 2020	2,677	44	3,611	721	7,053
Accumulated amortisation and impairment					
At 1 April 2018	–	29	4,755	–	4,784
Amortisation for the year	–	6	349	–	355
Write off	–	–	(2,015)	–	(2,015)
Impairment loss	353	–	0	–	353
At 31 March 2019 and 1 April 2019	353	35	3,089	–	3,477
Transfer to right-of-use assets	–	–	(9)	–	(9)
Impairment loss due to the adoption of IFRS 16(*)	47	–	–	–	47
Amortisation for the year	–	3	310	58	371
Write off	–	–	(456)	–	(456)
Translation	–	–	–	(0)	(0)
At 31 March 2020	400	38	2,934	58	3,430
Net book value					
At 31 March 2020	2,277	6	677	663	3,623
At 31 March 2019	2,324	9	779	–	3,112

(*) This impairment loss is recorded as the cumulative effect of applying new standards and interpretations in the consolidated statement of changes in equity.

25. INTANGIBLE ASSETS *(Continued)*

(a) Impairment test for goodwill

Goodwill is monitored by management at the level of individual pachinko halls that are expected to benefit from the synergies of the business combination at the date of acquisition of the business.

Goodwill is related to the acquisition of Yume Corporation, and the carrying amounts are entirely allocated to the pachinko halls that are expected to benefit from the synergies of this business combination.

A summary of the goodwill allocation is presented below.

Name of pachinko hall	¥ million
KAKOGAWA (Hyogo Prefecture)	500
TAKAYAMA (Gifu Prefecture)	300
Others	1,477
At 31 March 2020	2,277

(b) Significant estimate: key assumptions used for value-in-use calculations

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations, which require the use of assumptions. The calculations use discounted cash flow projections based on business plans approved by management for the following consolidated financial year. The Group prepares business plans reflecting the management's assessment of the industry future trend and the past practices; the business plans are based on both externally and internally available information. An appropriate period of future cash flow projections is set for the business of each cash generating unit.

Cash flows beyond the period covered by the most recent business plans are extrapolated using the estimated revenue growth rates stated below. These revenue growth rates are determined with reference to the forecasts included in industry reports and are not expected to exceed long-term average growth rate of the industry.

When the recoverable amount of the goodwill specifically associated with a cash-generating unit is lower than the carrying amount of such goodwill, an impairment loss is recognised and the goodwill is written down to the recoverable amount.

25. INTANGIBLE ASSETS *(Continued)*

(b) ***Significant estimate: key assumptions used for value-in-use calculations*** *(Continued)*

The following table sets out the key assumptions for the group of units; CGU that have significant goodwill allocated:

Key assumptions	
Revenue for the year ending 31 March 2021 (unit: million yen) (% annual growth rate) (*)	¥275 million–¥800 million (0%)
Operating costs (unit: million yen)	¥268 million–¥667 million
Pre-tax discount rate	4.8%

(*) For the year ending 31 March 2022 and thereafter

Management has determined the value assigned to each of the above key assumptions as follows:

Key assumptions	**Approach used to determining values**
Revenue for the year ending 31 March 2021 (% annual growth rate)	Revenue for the year ending 31 March 2021 is based on the business plans approved by the management, which reflects the management's assessment of the industry future trend and the past practices, and the average annual revenue growth rate for the year ending 31 March 2022 and thereafter is conservatively determined taking into consideration the Group's strategy and a business environment. In addition, the Group considers the impact from the outbreak of the coronavirus (COVID-19) since January 2020, including the operation suspended in April and May 2020, and business recovery after re-opening of the operation which was suspended, when the recoverable amounts of the CGU is determined.
Operating costs	Management forecasts operating costs of the CGUs based on the current structure of the business, which does not reflect any future restructuring or cost saving measures.
Pre-tax discount rate	Determined taken into account the weighted average cost of capital ("WACC").

(c) ***Significant estimate — impairment charge for Goodwill***

There are no impairment losses recognised during the year ended 31 March 2020 (2019: ¥353 million).

25. INTANGIBLE ASSETS *(Continued)*

(d) Significant estimate — impact of possible changes in key assumptions

Goodwill for which impairment has not occurred is at risk of impairment. If the major assumptions behind the test of impairment change, the unit's carrying amount might exceed its recoverable amount.

The total recoverable amount of individual pachinko halls (CGUs) that are expected to benefit from the synergies from the acquisition of Yume Corporation is estimated at ¥23,691 million at 31 March 2020. This exceeds the total carrying amount of the CGUs, which goodwill has been allocated to, at 31 March 2020 by ¥18,790 million.

In the CGU, which has the minimum excess amount of the recoverable amount to the carrying amount, the recoverable amount of this CGU would equal its carrying amount if the pre-tax discount rate increases by 8.7 percentage points or the operating costs increase by ¥453 million (equivalent to increasing rate of 8.7%).

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of this CGU to exceed its recoverable amount.

26. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **¥ million**	2019 ¥ million
Equity securities at fair value, listed in Hong Kong	**1,557**	2,371
Equity securities at fair value, listed in Japan	**380**	525
Others	**876**	878
	2,813	3,774

27. OTHER NON-CURRENT ASSETS

	2020 **¥ million**	2019 ¥ million
Rental prepayment	**505**	2,857
Rental deposits	**6,190**	6,273
Prepayment for lender commitment fee	**–**	111
Construction assistance fund receivables	**299**	253
Fire insurance premiums	**266**	90
Others	**379**	322
	7,639	9,906

28. INVENTORIES

	2020	2019
	¥ million	¥ million
Supplies	**2,338**	676
Properties held for sale and under development for sale	**502**	770
Others	**538**	503
	3,378	1,949

29. PRIZES IN OPERATION OF PACHINKO HALLS

	2020	2019
	¥ million	¥ million
G-prize	**3,713**	2,856
General prize	**861**	935
	4,574	3,791

30. OTHER CURRENT ASSETS

	2020	2019
	¥ million	¥ million
Rental prepayment	**482**	1,859
Withholding tax receivables	**1,894**	1,897
Prepayment for lender commitment fee	**57**	70
Advance payment of insurance premiums	**101**	596
Advance payment of properties acquisition	**–**	681
Others	**811**	800
	3,345	5,903

31. CASH AND CASH EQUIVALENTS

	2020 ¥ million	2019 ¥ million
Cash on hand	**4,708**	7,374
Cash at bank	**37,102**	40,163
Cash and cash equivalents	**41,810**	47,537

As at 31 March 2020, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to ¥105 million (2019: ¥67 million). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2020 ¥ million	2019 ¥ million
JPY	**34,521**	34,139
HKD	**601**	1,162
USD	**6,201**	11,747
Others	**487**	489
	41,810	47,537

32. TRADE AND OTHER PAYABLES

	2020 **¥ million**	2019 ¥ million
Trade payables	**1,238**	1,465
Halls construction and system payables	**1,129**	1,681
Other tax expenses	**3,190**	3,144
Pachinko and pachislot machine payables	**1,108**	2,192
Accrued staff costs	**6,363**	8,689
Advertisement and promotions	**191**	297
Housing rent	**213**	223
Others	**1,369**	1,606
	14,801	19,297

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

	2020 **¥ million**	2019 ¥ million
1 to 30 days	**1,187**	1,401
31 days to 60 days	**–**	6
Over 60 days	**51**	58
	1,238	1,465

33. BORROWINGS

	2020 **¥ million**	2019 ¥ million
Bank loans	**13,228**	2,626

The borrowings are repayable as follows:

	2020 **¥ million**	2019 ¥ million
On demand or within one year	**3,008**	2,124
In the second year	**1,219**	412
In the third to fifth years, inclusive	**4,602**	90
After five years	**4,399**	–
	13,228	2,626
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(3,008)**	(2,124)
Amount due for settlement after 12 months	**10,220**	502

Notes:

(i) The weighted average interest rates per annum as at 31 March 2020 and 2019 were set out as follows:

	2020 **%**	2019 %
Bank loans	**2.7**	0.6

(ii) The borrowings as at 31 March 2020 and 2019 were secured by the following:

	2020 **¥ million**	2019 ¥ million
Property, plant and equipment	**11,418**	243

(iii) Carrying amounts of the borrowings with floating interest rate expose the Group to cash flow interest rate risk. Carrying amount of the borrowings with fixed interest rate expose the Group to fair value interest rate risk.

34. LEASE RECEIVABLES AND LEASE PAYABLES

The Group as lessee — Finance lease payables

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	¥ million	¥ million	**¥ million**	¥ million
Within one year	**–**	244	**–**	227
In the second to fifth years, inclusive	**–**	371	**–**	353
After five years	**–**	–	**–**	–
	–	615	**–**	580
Less: Future finance charges	**–**	(35)	**–**	–
Present value of lease obligations	**–**	580	**–**	580
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(227)
Amount due for settlement after 12 months			**–**	353

As at 31 March 2019, the Group leased certain of its tools and equipment and motor vehicles under finance leases. The average lease term was 5 years. The weighted average borrowing rate per annum at 31 March 2019 was 1.9%. The finance lease payables were arranged at fixed rates thus exposed the Group to fair value interest rate risk and no arrangements were entered into for contingent rental payments.

The details of the lease contracts as at 31 March 2020 are stated in the Note 23.

34. LEASE RECEIVABLES AND LEASE PAYABLES *(Continued)*

The Group as lessor — Finance Lease Receivables

Maturity analysis of the finance lease receivables are as follows:

	Gross investment In the lease 2020 ¥ million	Present value of minimum lease payments receivable 2020 ¥ million
Within one year	**2,325**	**2,137**
In the second year	**1,479**	**1,303**
In the third year	**762**	**599**
In the fourth year	**484**	**335**
In the fifth year	**433**	**297**
After five years	**3,570**	**2,944**
Total	**9,053**	**7,615**
Less: Unearned finance income	**(1,438)**	
Less: Present value of unguaranteed residual value	**–**	
Present value of minimum lease payments receivable	**7,615**	
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(2,137)**
Amount due for settlement after 12 months		**5,478**

	2019 ¥ million	2019 ¥ million
Within one year	187	81
In the second to fifth years, inclusive	702	346
After five years	1,264	908
Total	2,153	1,335
Less: Unearned finance income	(818)	
Less: Present value of unguaranteed residual value	–	
Present value of minimum lease payments receivable	1,335	
Less: Amount due for settlement within 12 months (shown under current liabilities)		(81)
Amount due for settlement after 12 months		1,254

34. LEASE RECEIVABLES AND LEASE PAYABLES *(Continued)*

The Group as lessor — Finance Lease Receivables *(Continued)*

The Group leases some of properties held for sale under finance leases.

The average lease term is 13 years (2019: 15 years).

All finance lease receivables are arranged at fixed rates thus expose the Group to fair value interest rate risk and no arrangements have been entered into for contingent rental payments.

Finance lease receivables are secured by the leased assets the title to which is retained by the Group for the duration of the lease.

There is no significant past due balance nor loss allowance provision recognised for finance lease receivables as at 31 March 2020 (2019: Nil).

— Operating Lease Receivables

At 31 March 2020, maturity analysis of the undiscounted operating lease receivables are as follows:

	2020	2019
	¥ million	¥ million
Within one year	**1,499**	–
In the second year	**1,499**	–
In the third year	**1,499**	–
In the fourth year	**1,499**	–
In the fifth year	**1,128**	–
After five years	**1,185**	–
	8,309	–

The Group leases aircraft under operating leases.

The average lease term is 5.9 years (2019: Nil).

All operating lease receivables are arranged at fixed rates thus expose the Group to fair value interest rate risk and no arrangements have been entered into for contingent rental payments.

Operating lease receivables are secured by the leased assets the title to which is retained by the Group for the duration of the lease.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes						
	2019	Cash flows	Recognised on adoption of IFRS 16*1	New lease contract	Foreign exchange movement	Fair value changes	Non current transfer to current	Others	**2020**
	¥ million								**¥ million**
Borrowings — non current	502	11,221	–	–	(1)	–	(1,504)	2	**10,220**
Borrowings — current	2,124	(620)	–	–	–	–	1504	–	**3,008**
Lease payables — non current	353	(10,869)	81,315	11,706	–	–	228	(1,122)	**81,611**
Lease payables — current	227	(141)	12,437	–	–	–	(228)	(110)	**12,185**
Total liabilities from financing activities	3,206	(409)	93,752	11,706	(1)	–	–	(1,230)	**107,024**

*1 It represents the financial effect from the adoption of IFRS 16 'Leases'.

			Non-cash changes				
	2018	Cash flows	Foreign exchange movement	Fair value changes	Non current transfer to current	Others	2019
	¥ million						¥ million
Borrowings — non current	1,221	–	–	–	(721)	2	502
Borrowings — current	7,351	(5,978)	–	–	721	30	2,124
Finance lease payables — non current	326	–	–	–	(234)	261	353
Finance lease payables — current	256	(263)	–	–	234	–	227
Total liabilities from financing activities	9,154	(6,241)	–	–	–	293	3,206

36. OTHER CURRENT LIABILITIES

	2020 **¥ million**	2019 ¥ million
Contract liabilities	**7,277**	7,181
Others	**1,402**	1,300
	8,679	8,481

Details of contract liabilities as at 31 March 2020 and 1 April 2019 are as follows:

	31 March 2020 **¥ million**	1 April 2019 ¥ million
Unutilised balls and tokens	**7,277**	7,181

37. DEFERRED TAX

	Property, plant and equipment ¥ million	Staff costs ¥ million	Unutilised balls and tokens ¥ million	Pre-paid rent ¥ million	Pachinko and pachislot machines ¥ million	Investment properties ¥ million	Lease ¥ million	Others ¥ million	Total ¥ million
At 1 April 2018	406	1,990	342	1,634	4,914	(86)	–	1,488	10,688
Credit/(charge) to equity for the year — origination and reversal of temporary differences	5	–	–	–	–	–	–	(58)	(53)
Credit/(charge) to profit or loss for the year (Note 18) — origination and reversal of temporary differences	149	1	32	28	(163)	119	–	(194)	(28)
At 31 March 2019 and 1 April 2019	**560**	**1,991**	**374**	**1,662**	**4,751**	**33**	**–**	**1,236**	**10,607**
Impact of adoption IFRS 16	**543**	**–**	**–**	**–**	**–**	**–**	**3,815**	**–**	**4,358**
Credit/(charge) to equity for the year — origination and reversal of temporary differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**46**	**46**
Credit/(charge) to profit or loss for the year (Note 18) — origination and reversal of temporary differences	**(276)**	**(428)**	**6**	**(100)**	**315**	**32**	**44**	**81**	**(326)**
At 31 March 2020	**827**	**1,563**	**380**	**1,562**	**5,066**	**65**	**3,859**	**1,363**	**14,685**

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised.

In assessing the amount of deferred income tax assets that need to be recognised, the Group considers expected reversal of deferred tax liabilities, future taxable income and ongoing prudent and feasible tax planning strategies.

At 31 March 2020, the Group has unused tax losses of ¥2,936 million (2019: ¥2,627 million) and temporary differences of ¥252 million (2019: ¥238 million) for which no deferred tax asset has been recognised.

The Group's tax losses will expire in one to ten years from 31 March 2020.

38. PROVISIONS

	Asset retirement obligation (Note (i)) ¥ million	Staff vacation payable (Note (ii)) ¥ million	Total ¥ million
At 1 April 2018	5,461	1,971	7,432
Provision for the year	(18)	42	24
Changes in present value	87	–	87
At 31 March 2019	5,530	2,013	7,543
Provision for the year	(16)	41	25
Changes in present value	86	–	86
At 31 March 2020	**5,600**	**2,054**	**7,654**

Analysed as:

	2020 ¥ million	2019 ¥ million
Current liabilities	**2,054**	2,013
Non-current liabilities	**5,600**	5,530
	7,654	7,543

Notes:

(i) The asset retirement obligation represents the estimated costs arising from contractual obligations to a landlord to dismantle and remove leasehold improvements and certain fixed assets at the end of the lease contracts. These costs are expected to be paid in after estimated usage period of fixed assets, but will be affected by the future business plans.

(ii) Staff vacation payable represents leave entitlements of employees entity expects to pay as a result of unused leave entitlements at the end of the period.

39. OTHER NON-CURRENT LIABILITIES

	2020 **¥ million**	2019 ¥ million
Retirement benefit payables converting to the defined contribution plan	**195**	263
Rental deposits received	**287**	270
Maintenance reserves	**113**	–
Others	**432**	154
	1,027	687

40. SHARE CAPITAL

The numbers of the Company's shares authorised and issued are as follows:

	Note	**Number of ordinary shares**	**¥ million**
Authorised:			
At 31 March 2019, and 1 April 2019		2,520,000,000	–
At 31 March 2020		2,520,000,000	–
Issued and fully paid:			
At 31 March 2019 and 1 April 2019		765,985,896	15,000
— At 31 March 2020		765,985,896	15,000

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2020 ¥ million**	2019 ¥ million
Investments in subsidiaries		**80,716**	80,716
Other non-current assets		**601**	623
Due from subsidiaries — current portion	(i)	**17,784**	19,416
Other current assets		**14,955**	13,994
TOTAL ASSETS		**114,056**	114,749
Due to subsidiaries — current portion	(ii)	**(15,757)**	(15,948)
Current tax liabilities		**(17)**	(15)
Other current liabilities		**(172)**	(271)
Other non-current liabilities		**(294)**	(307)
TOTAL LIABILITIES		**(16,240)**	(16,541)
Share capital		**(15,000)**	(15,000)
Reserves		**(82,816)**	(83,208)
TOTAL EQUITY		**(97,816)**	(98,208)
TOTAL LIABILITIES AND EQUITY		**(114,056)**	(114,749)

Notes:

(i) Due from subsidiaries — current portion

① Included in the current portion of the amounts due from subsidiaries at 31 March 2020 was an amount of ¥17,700 million (2019: ¥18,700 million) which is unsecured, interest bearing at fixed interest rates of 12-month TIBOR plus 0.6% per annum at contract dates, thus exposing the Company to fair value interest rate risk and is repayable at the specific dates.

② The remaining current portion of the amounts due from subsidiaries as at 31 March 2020 and 31 March 2019, respectively, represents non-interest bearing balance and is trade in nature.

(ii) Due to subsidiaries — current portion

① Included in the current portion of the amounts due to subsidiaries at 31 March 2020 was an amount of ¥15,709 million (2019: ¥15,914 million) which is unsecured, interest bearing at interest rates of ordinary deposit per annum presented by Sumitomo Mitsui Banking Corporation, thus exposing the Company to fair value interest rate risk and has no fixed term of repayment.

② The remaining current portion of the amounts due to subsidiaries as at 31 March 2020 and 31 March 2019, respectively, represents non-interest bearing balance and is trade in nature.

42. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Capital reserve (Note 42(c)) ¥ million	Retained earnings ¥ million	Fair value of financial assets measured at FVTOCI ¥ million	Total ¥ million
At 1 April 2018	57,362	26,138	–	83,500
Total comprehensive income for the year	–	8,900	–	8,900
2019 dividend paid	–	(9,192)	–	(9,192)
At 31 March 2019 and 1 April 2019	**57,362**	**25,846**	**–**	**83,208**
Total comprehensive income for the year	**–**	**8,800**	**–**	**8,800**
2020 dividend paid	**–**	**(9,192)**	**–**	**(9,192)**
At 31 March 2020	**57,362**	**25,454**	**–**	**82,816**

(c) Nature and purpose of reserves

The Capital reserve consists of Capital surplus and Legal reserve.

(i) Capital surplus

Under the Company Law of Japan (the "Japan Company Law"), certain percentage of the proceeds from the issuance of share capital shall be credited to the share capital and the remaining of the proceeds shall be credited capital surplus (known as "additional paid-in capital"). Upon approval of the general meeting of shareholders, the additional paid-in capital would be transferred back to the share capital.

(ii) Legal reserve

The Japan Company Law provides that a 10% dividend of retained earnings shall be appropriated as legal reserve (a component of either capital surplus or retained earnings) until an aggregate amount of additional paid-in capital and legal reserve equals 25% of share capital. The legal reserve may be used to reduce a deficit or transfer to retained earnings upon approval of the general meeting of shareholders.

(d) Basis for profit appropriation

In accordance with the Japan Company Law, the distributable reserves are determined based on the retained profits and other capital surplus recorded in the Company's non-consolidated financial statements prepared in accordance with Japanese Generally Accepted Accounting Principles.

43. OTHER COMPREHENSIVE INCOME

	Amount recorded during the year ¥ million	**Amount before income tax ¥ million**	**Income tax effect ¥ million**	**Amount after income tax ¥ million**
At 31 March 2020				
Changes in fair value of financial assets measured at FVTOCI	**(921)**	**(921)**	**45**	**(876)**
Exchange differences on translating foreign operations	**(304)**	**(304)**	**–**	**(304)**
Total	**(1,225)**	**(1,225)**	**45**	**(1,180)**

	Amount recorded during the year ¥ million	Amount before income tax ¥ million	Income tax effect ¥ million	Amount after income tax ¥ million
At 31 March 2019				
Changes in fair value of financial assets measured at FVTOCI	233	233	7	240
Exchange differences on translating foreign operations	646	646	–	646
Total	879	879	7	886

44. LIST OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			2020	2019	
Directly held					
Dynam	Japan 25 July 1967	¥5,000,000,000	**100%**	100%	Operation of pachinko halls
Cabin Plaza	Japan 25 May 1988	¥10,000,000	**100%**	100%	Operation of pachinko halls
Yume Corporation	Japan 14 December 1970	¥50,000,000	**100%**	100%	Operation of pachinko halls
Dynam Business Support	Japan 31 October 2003	¥1,020,000,000	**100%**	100%	Real estate and property management Provision of accounting and administration services
Dynam Hong Kong Co., Limited	Hong Kong 7 January 2013	HK$800,000,000	**100%**	100%	Investment holding
Humap	Japan 1 November 1982	¥100,000,000	**100%**	100%	Operation of restaurants Cleaning services for Pachinko Halls
Business Partners	Japan 11 January 2011	¥30,000,000	**100%**	100%	Office cleaning services Manufacture and sales of household supplies
Shimonoseki Resort Development	Japan 1 September 2016	¥70,000,000	**100%**	100%	Real estate development
Dynam Aviation Ireland Limited	Ireland 13 December 2018	USD1,000,000	**100%**	100%	Aircraft Leasing

44. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing 2020	2019	Principal activities
Indirectly held					
Kanto Daido	Japan 22 January 1992	¥50,000,000	**100%**	100%	Trading of pachinko machines
Japan Real Estate	Japan 4 September 2001	¥3,000,000	**100%**	100%	Real estate and property management
Shinrainomori Association (Note (i))	Japan 3 December 2008	–	**100%**	100%	Supporting arm of a franchise chain under Shinrainomori to undertake non-profit brand-building activities
Erin International Co., Ltd.	Mongolia 30 May 2003	MNT3,254,222,125	**87.61%**	87.61%	Operation of international freight forwarding services and contracting services for construction works, property transactions and management services
Erin Finance Non-Banking Finance Institution Limited Liability Company (Note (ii))	Mongolia 18 February 2019	MNT 2,501,000,000	**87.61%**	87.61%	Non-Banking Finance
Beijing GEO	PRC 4 August 2004	RMB51,998,200	**100%**	100%	Sales of coffee beans
Rich-O Korea	South Korea 27 February 2006	KRW675,000,000	**100%**	100%	Trading of LCD monitors
Genghis Khan	Japan 13 November 2003	¥47,000,000	**100%**	100%	Travel agency
P Insurance	Japan 28 January 2005	¥10,000,000	**100%**	100%	Insurance agency
Dynamic Games Macau Limited	Macau 4 May 2016	MOP3,500,000	**100%**	100%	Development of pachinko machines
Dynam Aviation Ireland One Limited (Note (iii))	Ireland 15 February 2019	USD100	**100%**	100%	Aircraft Leasing
Dynam Aviation Ireland Two Limited (Note (iii))	Ireland 29 April 2019	USD100	**100%**	–	Aircraft Leasing
Dynam Aviation Ireland Three Limited (Note (iii))	Ireland 1 August 2019	USD100	**100%**	–	Aircraft Leasing

44. LIST OF SUBSIDIARIES *(Continued)*

Notes:

(i) Shinrainomori Association is a general incorporation association organised under the GIA/GIF Law in Japan. Under the GIA/GIF Law, there is no concept of shareholding nor equity interest in a general incorporation association.

(ii) Erin Finance Non-Banking Finance Institution Limited Liability Company was established on 18 February 2019.

(iii) Dynam Aviation Ireland One Limited, Dynam Aviation Ireland Two Limited and Dynam Aviation Ireland Three Limited was established on 15 February 2019, 29 April 2019 and 1 August 2019 respectively.

45. MATERIAL NON-CASH TRANSACTIONS

The Group did not have any material non-cash transactions except for acquisition of right-of-use asset disclosed in the Note 23 for the year ended 31 March 2020 (2019: Nil).

46. CONTINGENT LIABILITIES

At 31 March 2020, the Group did not have any significant contingent liabilities (2019: Nil).

47. CAPITAL COMMITMENTS

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

	2020 **¥ million**	2019 ¥ million
Contracted but not provided for	**55**	11
Approved but not contracted for	**2,744**	433
	2,799	444

48. LEASE COMMITMENTS

(a) Lessee

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2020 **¥ million**	2019 ¥ million
Within one year	**–**	637
In the second to fifth years, inclusive	**–**	1,685
After five years	**–**	806
	–	3,128

As at 31 March 2019, the Group leased certain land and buildings under operating leases. The leases typically ran for an initial average period of 19 years. The Group had the option to cancel the leases on payment of a penalty at various stages of the initial lease periods depending on the terms of the specific leases concerned.

Lease payments during the year are as follows:

	2020 **¥ million**	2019 ¥ million
Lease payments		
Land and Buildings	**–**	12,933

49. RELATED PARTY TRANSACTIONS

The Group has the following related party transactions for the year ended 31 March 2020 and 2019.

Related company	Type of transaction	2020 ¥ million	2019 ¥ million
Sato Aviation Capital Limited	Cooperation Framework Agreement (i)	**17,058**	–
	Advance payment of properties acquisition involving co-ownership	**–**	681

(i) On 26 September 2018, the Group entered into with SAC Aircraft Leasing Members, the cooperation framework agreement (the "Cooperation Framework Agreement"), as supplemented by the supplemental agreement dated 21 November 2018. Pursuant to the Cooperation Framework Agreement, the Group and the SAC Aircraft Leasing Members agreed to cooperate with each other in respect of the Aircraft Lease Business for the term of three years commencing from 1 January 2019 and ending 31 December 2021 on a recurring basis.

On 20 December 2018, the extraordinary general meeting of the Company considered and approved such transactions . The annual cap set for each of the three years ending 31 December 2019, 2020 and 2021 is JPY30,000 million.

For the year ended 31 March 2020, the Group conducted the continuing connected transactions in accordance with the Cooperation Framework Agreement. (i) The aggregate annual value for the transactions contemplated under the Cooperation Framework Agreement for the year ended December 31, 2019 was approximately JPY10,490 million, which did not exceed the annual cap of JPY30,000 million; and (ii) the aggregate value for the three-month year ended 31 March 2020 was approximately JPY6,567 million, which did not exceed the annual cap of JPY30,000 million for the year ending 31 December 2020.

The Group did not have balances from this Cooperation Framework Agreement as at 31 March 2020.

The Group did not have transactions for the year ended 31 March 2019 and did not have balances as at 31 March 2019 from this Cooperation Framework Agreement.

50. EVENTS AFTER THE REPORTING PERIOD

(a) Outbreak of the coronavirus (Covid-19)

In response to the Japanese government's state of emergency declaration on 7 April, many local governments requested entertainment facilities, including pachinko halls, in their respective prefectures to suspend operation in connection with the outbreak of the coronavirus (Covid-19) after January 2020.

In response to such requests from the local governments, the Group has temporarily suspended operation of 436 of the Group's 448 pachinko halls as at 6 May 2020. After 7 May, Group's pachinko halls have resumed operations sequentially and 45 pachinko halls are temporarily suspended operation as at 25 May.

The temporarily suspended operation of pachinko halls had material adverse effects on the Group's financial condition and operations after April 2020. As the temporarily suspended operations are ongoing, the Group expects such adverse effects may continue in the future.

The Group is unable to reasonably estimate the financial impact to the Group's future results of operations, cash flows and financial condition due to uncertainties surrounding circumstance of the business and suspended operation of our pachinko halls in connection with the outbreak of the coronavirus (Covid-19).

(b) Resignation and appointment of Chairman of the Board and Chief Executive Officer of the Company

Mr. Kohei SATO resigned as chairman of the Board and chief executive officer and was re-designated from an executive Director to a non-executive Director on 27 April 2020.

Mr. Tatsuji FUJIMOTO was appointed as chairman of the Board and Mr. Makoto SAKAMOTO was appointed as chief executive officer, both with effect from 27 April 2020.

51. BENEFITS AND INTEREST OF DIRECTORS

(a) *The emoluments of the director, including director concurrently serving as an executive officer*

The emoluments of each of the Company's director, including director concurrently serving as an executive officer, were as follows:

Name	Fees ¥ million	Salaries, allowances and benefits in kind ¥ million	Retirement benefit contributions scheme ¥ million	Discretionary bonus ¥ million	Total ¥ million
Year ended 31 March 2020					
Executive director					
Mr. Kohei Sato *(Chief executive officer)* (i)	–	41.5	–	7.0	48.5
Non-executive director					
Mr. Yoji Sato	–	23.0	–	–	23.0
Mr. Tatsuji Fujimoto (i)	–	34.3	–	5.7	40.0
Mr. Noriaki Ushijima	–	6.0	–	–	6.0
Independent non-executive director					
Mr. Ichiro Takano	–	7.2	–	–	7.2
Mr. Mitsutoshi Kato	–	7.5	–	–	7.5
Mr. Thomas Chun Kee Yip	–	6.0	–	–	6.0
Mr. Kei Murayama	–	6.0	–	–	6.0
Mr. Kiyohito Kanda	–	6.0	–	–	6.0
Total	–	137.5	–	12.7	150.2

FOR THE YEAR ENDED 31 MARCH 2020

51. BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(a) *The emoluments of the director, including director concurrently serving as an executive officer* (Continued)

Name	Fees ¥ million	Salaries, allowances and benefits in kind ¥ million	Retirement benefit contributions scheme ¥ million	Discretionary bonus ¥ million	Total ¥ million
Year ended 31 March 2019					
Executive director					
Mr. Kohei Sato *(Chief executive officer)*	–	41.5	–	7.0	48.5
Non-executive director					
Mr. Yoji Sato	–	23.3	–	–	23.3
Mr. Tatsuji Fujimoto	–	34.3	–	5.7	40.0
Mr. Noriaki Ushijima	–	6.0	–	–	6.0
Independent non-executive director					
Mr. Ichiro Takano	–	7.2	–	–	7.2
Mr. Mitsutoshi Kato	–	7.5	–	–	7.5
Mr. Thomas Chun Kee Yip	–	6.0	–	–	6.0
Mr. Kei Murayama	–	6.0	–	–	6.0
Mr. Kiyohito Kanda	–	6.0	–	–	6.0
Total	–	137.8	–	12.7	150.5

Notes:

(i) Mr. Kohei SATO resigned as chairman of the board and chief executive officer on 26 April 2020 and was re-designated to a non-executive director on 27 April 2020.

Mr. Tatsuji FUJIMOTO was appointed as chairman of the board and Mr. Makoto SAKAMOTO was appointed as chief executive officer on 27 April 2020.

(ii) Save as disclosed above, there was no arrangement under which a director or chief executive officer waived or agreed to waive any emoluments during the year ended 31 March 2020 (2019: Nil).

51. BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(b) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 March 2020 (2019: Nil).

(c) Information about loans, quasi-loans and other dealings in favour of the director controlled bodies corporate by and connected entities with such director

No loans, quasi-loans and other dealings were made available in favour of the director, controlled bodies corporate by and connected entities with such director subsisted at the end of the year or at any time during the year 31 March 2020 (2019: Nil).

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 31 March 2020 (2019: Nil).

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 27 May 2020.

Definitions

In this report (other than the Independent Auditor's Report and Consolidated Financial Statements), unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Aircraft Lease Business" 航空機リース事業	the business of (a) acquisition of aircraft; (b) leasing of aircraft (including operating leases and finance leases (which include financing arrangements in sale and leaseback transactions)); and (c) disposal of aircraft
"Amusement Business Act" 風適法	the Act on Control and Improvement of Amusement Business etc. of Japan (Act No. 122 of 1948, as amended)
"Articles of Incorporation" 當社定款	articles of incorporation of the Company as amended and supplemented from time to time
"Beijing GEO" 北京GEO	Beijing GEO Coffee Co., Ltd., a company incorporated in the PRC with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
"Board" or "Board of Directors" 當社取締役會	the board of Directors of 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
"Code" CGコード	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act" 會社法	the Companies Act of Japan (Act No. 86 of 2005, as amended)
"Company" 當社	DYNAM JAPAN HOLDINGS Co., Ltd., a stock company incorporated in Japan with limited liability
"Director(s)" 當社取締役	the director(s) 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 the Republic of 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	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
"Eurasia Foundation (from Asia)" 一般財團法人ユーラシア財團from Asia	Eurasia Foundation (from Asia), a general incorporated foundation established in Japan
"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
"Group" or "DYJH Group" 當社グループ又はDYJHグループ	the Company and its subsidiaries at the relevant time
"Hong Kong Stock Exchange" 香港證券取引所	The Stock Exchange of Hong Kong Limited
"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 was held as to 100% by the Company through Yume Corporation until it was dissolved after merging with Yume Corporation on 1 April 2020
"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
"Listing Rules" 上場規則	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Main Board" メインボード	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent of and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Model Code" モデルコード	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Yoji SATO" 佐藤洋治氏	one of the Directors of the Company and also the director and majority shareholder of SAC

'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
"PRC" 中國	The People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Reporting Period" 報告對象期間	the period from 1 April 2019 to 31 March 2020
"Rich-O" リッチオ	Rich-O Co., Ltd., a stock company incorporated in Japan with limited liability
"Rich-O Korea" リッチオコリア	Rich-O Korea Co., Ltd., a company incorporated in South Korea with limited liability. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
"SAC" SAC	Sato Aviation Capital Limited, a company incorporated in Hong Kong with limited liability, being held as to 100% by Mr. Yoji SATO
"SAC Aircraft Leasing Member(s)" SAC航空機リースメンバー	SAC and/or SAIL as the context requires
"SAIL" SAIL	Sato Aviation Ireland Limited, a company incorporated in the Republic of Ireland with limited liability, being held as to 100% by Mr. Yoji SATO through SAC
"SFO" 證券先物條例	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)" 當社株式	ordinary share(s) in the issued share capital of the Company
"Shareholder" 當社株主	holder(s) of the issued Share(s)
"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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