



# Interim 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.

# Interim Report 2020





## C o n t e n t s

- 02 Corporate Philosophy
- 03 Corporate Information
- 08 Financial Highlights
- 10 At a Glance
- 12 Business Overview
- 15 Financial Review
- 27 Other Information
- 33 Report on Review of the Interim Condensed Consolidated Financial Information
- 34 Interim Condensed Consolidated Financial Information
- 41 Notes to the Interim Condensed Consolidated Financial Information
- 60 Definitions

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

# Corporate **Philosophy**

## A CENTURIAL COMMITMENT TO BUILDING TRUST AND ENCOURAGING DREAMS

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

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

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

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

### FIVE MANAGEMENT POLICIES

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1

#### **Principle of Customers First**

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

2

#### **Information Disclosure**

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

3

#### **Chain Store Management**

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

4

#### **Training of Human Resources**

The Group trains human resources and uses their collective energy.

5

#### **Social Contribution**

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

### THREE PRINCIPLES OF ACTIONS

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1

The Group complies with laws and regulations and rules, and deals with people respectfully.

2

The Group takes decisive actions and values team work.

3

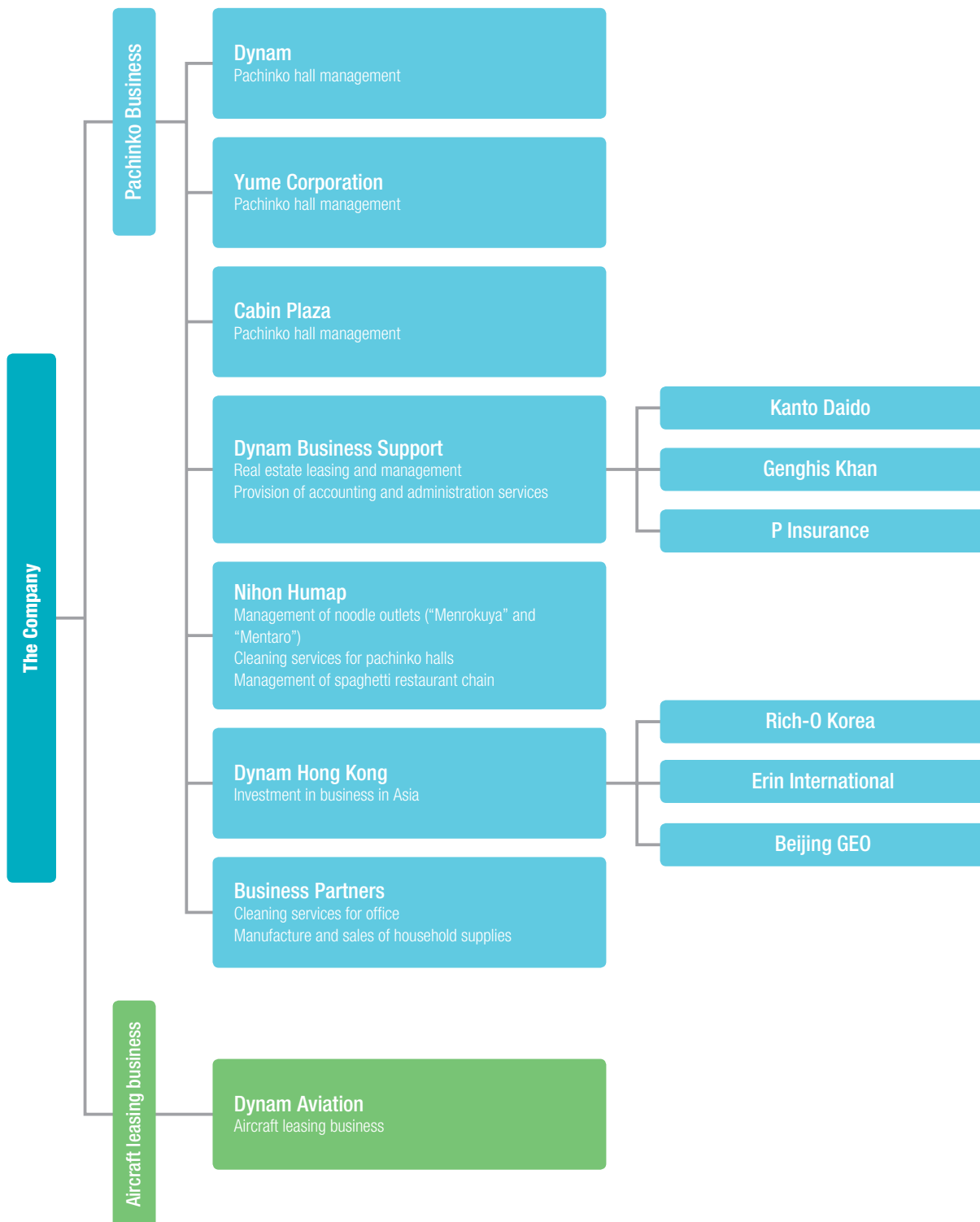
The Group confirms the actual situation on site, and presents it using numerical expressions.

# Corporate Information

## OUR GROUP ORGANIZATION

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

As at 30 September 2020



# Corporate Information

## MEMBERS OF THE BOARD AND COMMITTEES

As of 30 September 2020

### MEMBERS OF THE BOARD

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<b>Executive Director</b>	Makoto SAKAMOTO
<b>Non-executive Directors</b>	Yoji SATO ( <i>Senior Corporate Advisor of the Board</i> ) Kohei SATO ( <i>Advisor</i> ) Akira HOSAKA
<b>Independent Non-executive Directors</b>	Mitsutoshi KATO Thomas Chun Kee YIP Kei MURAYAMA Kiyohito KANDA Koji KATO

### COMMITTEES

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<b>Audit Committee</b>	Kiyohito KANDA ( <i>Chairman</i> ) Thomas Chun Kee YIP Koji KATO
<b>Remuneration Committee</b>	Mitsutoshi KATO ( <i>Chairman</i> ) Kei MURAYAMA Makoto SAKAMOTO
<b>Nomination Committee</b>	Mitsutoshi KATO ( <i>Chairman</i> ) Kei MURAYAMA Makoto SAKAMOTO

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

# Corporate Information

## PACHINKO BUSINESS

### **PACHINKO HALL OPERATION AS OUR CORE BUSINESS**

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

The Group operates the industry's largest pachinko hall network with 445 halls as at the end of September 2020.

### **Pachinko Game Play Summary**

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

#### **Pachinko and pachislot machines**

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

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

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

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

#### **Prizes**

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

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



Prize display area



## AIRCRAFT LEASING BUSINESS

### ***NEW BUSINESS FOR SUSTAINABLE GROWTH***

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

### ***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.



# Financial Highlights

	Six months ended 30 September			
	2020 (unaudited)		2019 (unaudited as restated)	
	¥	HK\$	¥	HK\$
	(in millions)			
Gross pay-ins	219,663	16,092	379,269	27,543
Less: gross payouts	(174,408)	(12,777)	(305,299)	(22,171)
Revenue from pachinko business	45,255	3,315	73,970	5,372
Revenue from aircraft leasing business	737	54	82	6
Revenue	45,992	3,369	74,052	5,378
Pachinko business expenses	(46,396)	(3,399)	(61,134)	(4,439)
Aircraft leasing expenses	(444)	(32)	(86)	(6)
General and administrative expenses	(2,082)	(153)	(2,339)	(170)
Other income	6,142	450	4,369	317
Other operating expenses	(431)	(32)	(820)	(60)
Operating profit	2,781	203	14,042	1,020
Finance income	154	11	286	21
Finance expenses	(1,458)	(107)	(1,178)	(86)
Profit before income taxes	1,477	107	13,150	955
Income taxes	(788)	(58)	(4,454)	(324)
Net profit for the period	689	49	8,696	631
Net profit attributable to:				
Owners of the Company	698	50	8,691	631
Non-controlling interests	(9)	(1)	5	△
	689	49	8,696	631
Earnings per share				
Basic	¥0.91	HK\$0.1	¥11.35	HK\$0.8
Diluted	¥0.91	HK\$0.1	¥11.35	HK\$0.8
EBITDA <sup>(*)</sup>	7,854	575	19,638	1,426

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

△ Less than HK\$0.5 million.

	30 September 2020 (unaudited)		31 March 2020 (audited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Non-current assets	216,127	15,833	221,441	15,783
Current assets	80,257	5,880	55,798	3,977
Current liabilities	62,683	4,592	44,028	3,138
Net current assets	17,574	1,288	11,770	839
Total assets less current liabilities	233,701	17,121	233,211	16,622
Non-current liabilities	101,473	7,434	98,479	7,018
Total equity	132,228	9,687	134,732	9,604

## CHANGES IN METHOD OF PRESENTATION (REVENUES AND EXPENSES RELATED TO THE AIRCRAFT LEASING BUSINESS)

Previously, revenues related to the aircraft leasing business was included in “Other income” and cost of the aircraft leasing business was included in “Other operating expenses” in the interim condensed consolidated statement of profit or loss respectively. During the six months ended 30 September 2020, the revenues and costs related to the aircraft leasing business were increased due to the scale of expansion of the business activity. For the six months ended 30 September 2020, revenue from aircraft leasing business have been presented separately as “Revenue from aircraft leasing business” and cost of the aircraft leasing business have been presented separately as “Aircraft leasing expenses”. In addition, pachinko business expenses, which was previously disclosed as “Hall operating expenses” for the six months ended 30 September 2019, have been presented as “Pachinko business expenses” for the six months ended 30 September 2020.

To reflect these changes in the presentation method, “Other income” of ¥82 million (equivalent to approximately HK\$6 million) was restated in “Revenue from aircraft leasing business” and “Other operating expenses” of ¥86 million (equivalent to approximately HK\$6 million) was restated in “Aircraft leasing expenses” respectively for the six months ended 30 September 2019.

The change in the presentation method has no impacts on the operating profit and net profit for the period for the six months ended 30 September 2019 and 2020.

## CURRENCY TRANSLATIONS

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

1. ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020).
2. ¥13.77 to HK\$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019).
3. ¥14.03 to HK\$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).

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

# At a Glance

## PACHIKO BUSINESS

### Number of halls

# 445

As of 30 September 2020

### Industry Position

# NO.1

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

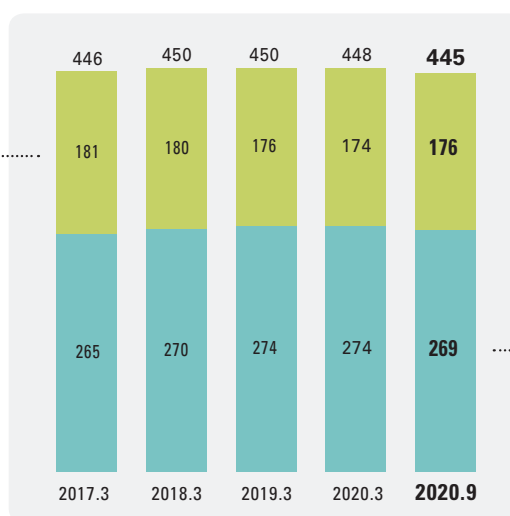
## OPERATION OF TWO HALL TYPES FOCUSING ON LOW PLAYING COST GAMES

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

### High playing cost halls

Main hall brand: DYNAM

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



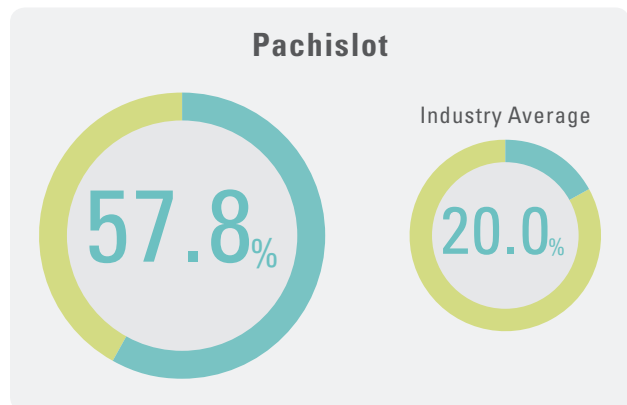
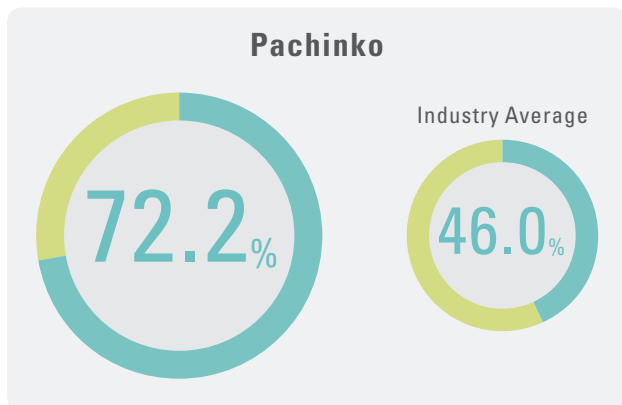
### Low playing cost halls

Main hall brand:

**DYNAM Yuttari Kan (ゆったり館)/  
DYNAM Shinrai no Mori (信頼の森)**

Machines are mainly low playing cost machines and there is a wide selection of general prizes. This hall type includes Yuttari Kan, where smoking is allowed in the halls, and Shinrai no Mori, where smoking is not allowed except in designated areas. They are comprised of 23 halls operated by Yume Corporation and 6 halls operated by Cabin Plaza.

For the six months ended 30 September 2020, we opened 1 high playing cost hall and closed 4 low playing cost halls. As a result, we had a total of 445 halls in operation as of 30 September 2020. By hall type, we operate 176 high playing cost halls and 269 low playing cost halls, with low playing cost halls making up the majority at 60% of the total.



## PROPORTION OF LOW PLAYING COST MACHINES TO TOTAL NUMBER OF MACHINES

Customer needs have been gradually shifting towards enjoying gaming as a pastime for leisure rather than primarily as a mean of winning prizes. Under this trend, the Group has been shifting its emphasis to low playing cost games. As of the end of September 2020, the average number of low playing cost pachinko machines (pachinko) in the industry was 46.0%, and the Group's ratio was 72.2%. In addition, the ratio of low playing cost pachislot machines (pachislot) is 20.0% on average in the industry, and the Group's ratio was 57.8%, which exceeds the industry average. Going forward, we will continue to drive the expansion of low playing cost games under our vision of reinventing pachinko as a genuine public entertainment that everyone can enjoy.

## NUMBER OF GROUP EMPLOYEES

According to research conducted by the Ministry of Internal Affairs and Communications of Japan, the pachinko industry plays a major role in job creation in Japan with an industry-wide workforce of 250,000 employees. As of 30 September 2020, the Group had a workforce of 17,077 employees. The Group's creation of these jobs and retention of the employees have helped to enhance its recognition from society.



## AIRCRAFT LEASING BUSINESS

### Status at the end of the current interim period



### Business plan

While paying close attention to the financial status of airline companies, we will keep focusing on acquiring narrow-body aircrafts manufactured within five years.

# Business Overview

## | PACHINKO BUSINESS

### ▶ Covid-19's Impact

After April 2020, in order to deal with the expansion of the COVID-19, the government of Japan and each prefectural governor requested various business sectors including pachinko hall operators to suspend their business operations. In response to such request, we were left with no alternative but to temporarily close 436 number of pachinko halls, about 97% of all of our group's halls.

Since June 2020, all of such closed halls have resumed operations. However, the recovery of our operating revenue from July 2020 has stayed at the range from 70% to 80% of the operating revenue of the preceding financial year.

As for the prospect of the Company's financial results for the second half of the current financial year, it is expected that we will make a profit for the three-month period ending 31 December 2020 and for the three-month period ending 31 March 2021 and that we will make a profit for the financial year ending 31 March 2021. However, as the prospect of the Company's financial results for the current financial year is still unpredictable, the Company is not able to report any specific financial figures for the financial year ending 31 March 2021.

As countermeasures against the decline of operating revenue, during the first half of the current financial year, we have reduced the costs of machine, personnel costs, variable costs, and fixed costs and we will continue to reduce such costs. We intend to change our character by lowering the break-even point through productivity reform and restructuring so that we can continuously secure the stable earnings.

The Group will maximize leverage of its position as the pachinko industry's leading company in terms of the number of pachinko halls and our goal is to steadily secure 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 been promoting low cost operations. The Group controls the cost of hall operations by utilizing second-hand gaming machines, proper placement of distribution centers and utilization of ICT.

### ▶ 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.

# Business Overview

## AIRCRAFT LEASING BUSINESS

### **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 aircraft such as Airbus A320 and Boeing 737, and had a plan to purchase maximum of 20 aircrafts during the initial three years. Under the coronavirus environment, the Company becomes conscious to the market.

### **Disclosure under Rule 14.33D of the Listing Rules**

- (a) The aggregate number of aircraft owned by the lessor as at the end of the period from 1 April 2020 to 30 September 2020 (the "Reporting Period") with a breakdown by aircraft model, and the aggregate net book value of the aircraft.
- Number of aircraft: 3 (A321-200N (NEO): 1, A320-200N (NEO): 1, A320-200: 1)
  - Net book value of the aircraft: ¥15,586M
- (b) The aggregate number of aircraft committed to purchase as at the end of the Reporting Period with a breakdown by aircraft model, and the commitment amounts for future commitments.
- For the six months ended 30 September 2020, there was no aircraft committed to purchase.
- (c) The aggregate number of aircraft sold for the Reporting Period.
- For the six months ended 30 September 2020, there was no aircraft sold.
- (d) The aggregate net book value and the aggregate net gain or loss on disposal of aircraft for the Reporting Period.
- For the six months ended 30 September 2020, there was no disposal of aircraft.
- (e) The average lease rental yield of each of (i) the operating lease business and (ii) the finance lease business in relation to aircraft leasing for the Reporting Period.
- Operating lease business: 8.8% (gross, annualized)
  - Finance lease business: For the six months ended 30 September 2020, there was no revenue from the finance lease business.



# Financial Review

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

	Six months ended 30 September				
	2020 (unaudited)		2019 (unaudited as restated)		changes <sup>(3)</sup>
	(in millions, except for percentages)				
¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>		
<b>Gross pay-ins</b>					
— High playing cost halls	119,258	8,737	211,562	15,364	–43.6%
— Low playing cost halls	100,405	7,355	167,707	12,179	–40.1%
<b>Total gross pay-ins</b>	<b>219,663</b>	<b>16,092</b>	<b>379,269</b>	<b>27,543</b>	<b>–42.1%</b>
<b>Gross payouts</b>					
— High playing cost halls	97,501	7,143	175,248	12,727	–44.4%
— Low playing cost halls	76,907	5,634	130,051	9,444	–40.9%
<b>Total gross payouts</b>	<b>174,408</b>	<b>12,777</b>	<b>305,299</b>	<b>22,171</b>	<b>–42.9%</b>
<b>Revenue from pachinko business</b>					
— High playing cost halls	21,757	1,594	36,314	2,637	–40.1%
— Low playing cost halls	23,498	1,721	37,656	2,735	–37.6%
<b>Total revenue from pachinko business</b>	<b>45,255</b>	<b>3,315</b>	<b>73,970</b>	<b>5,372</b>	<b>–38.8%</b>
<b>Revenue from aircraft leasing business</b>	<b>737</b>	<b>54</b>	<b>82</b>	<b>6</b>	<b>+798.8%</b>
<b>Total revenue</b>	<b>45,992</b>	<b>3,369</b>	<b>74,052</b>	<b>5,378</b>	<b>–37.9%</b>

<sup>(1)</sup> Translated into Hong Kong dollars at the rate of ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020).

<sup>(2)</sup> Translated into Hong Kong dollars at the rate of ¥13.77 to HK\$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019).

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

# Financial Review

## FINANCIAL REVIEW

The consolidated financial results of the Group for the six months ended 30 September 2020 were as follows;

Consolidated revenue of the pachinko business and the aircraft leasing business was ¥45,992 million (equivalent to approximately HK\$3,369 million), 62.1% of the same period of the previous year. Consolidated operating profit was ¥2,781 million (equivalent to approximately HK\$203 million), 19.8% of the same period of the previous year. Consolidated net profit for the period was ¥689 million (equivalent to approximately HK\$50 million), 7.9% of the same period of the previous year. Consolidated revenue and profits for the six months ended 30 September 2020 decreased significantly from the same period of the previous year.

### ***Changes in method of presentation (Revenues and expenses related to the aircraft leasing business)***

Previously, revenues related to the aircraft leasing business was included in “Other income” and cost of the aircraft leasing business was included in “Other operating expenses” in the interim condensed consolidated statement of profit or loss respectively. During the six months ended 30 September 2020, the revenues and costs related to the aircraft leasing business were increased due to the scale of the expansion of the business activity. For the six months ended 30 September 2020, revenue from aircraft leasing business have been presented separately as “Revenue from aircraft leasing business” and cost of the aircraft leasing business have been presented separately as “Aircraft leasing expenses”. In addition, pachinko business expenses, which was previously disclosed as “Hall operating expenses” for the six months ended 30 September 2019, have been presented as “Pachinko business expenses” for the six months ended 30 September 2020.

To reflect these changes in the presentation method, “Other income” of ¥82 million (equivalent to approximately HK\$6 million) was restated in “Revenue from aircraft leasing business” and “Other operating expenses” of ¥86 million (equivalent to approximately HK\$6 million) was restated in “Aircraft leasing expenses” respectively for the six months ended 30 September 2019.

The change in the presentation method has no impacts on the operating profit and net profit for the period for the six months ended 30 September 2019 and 2020.

Set out below is detailed performance of pachinko business and aircraft leasing business for this interim period.

## PACHINKO BUSINESS

During the six months ended 30 September 2020, the Group was significantly affected by the spread of the coronavirus infection (Covid-19).

In April 2020, following the Japanese government's state of emergency declaration, the prefectural governors requested pachinko halls in their respective prefectures to suspend operation. In response to these requests, 436 of the 448 pachinko halls in the Group were forced to temporarily suspend operation.

After the beginning of May, the Group's pachinko halls have resumed operations sequentially, but operating income remains at 70% to 80% of the previous year's level. In addition, the Group is striving to drastically reduce operating expenses. Going forward, the Group will continue to take thorough preventive measures against infectious diseases in the hall and strive to recover our business performance by providing a game space where customers can feel at ease.

Even in such an environment, the Group believes that it is the mission of the pachinko business to provide time and space that all employees can truly enjoy from the customer's perspective. Taking this transformational period as an opportunity, the Group will realize further corporate growth toward achieving the vision of becoming a "regional infrastructure".

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

### GROSS PAY-INS

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

Our gross pay-ins was ¥379,269 million (equivalent to approximately HK\$27,543 million) and ¥219,663 million (equivalent to approximately HK\$16,092 million) for the six months ended 30 September 2019 and 2020 respectively.

The decrease was primarily due to the decrease in utilisation of our machines in connection with the outbreak of the coronavirus (Covid-19) during this interim period.

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

Gross pay-ins for high playing cost halls decreased by ¥92,304 million (equivalent to approximately HK\$6,762 million\*), or 43.6%\*, from ¥211,562 million (equivalent to approximately HK\$15,364 million) for the six months ended 30 September 2019 to ¥119,258 million (equivalent to approximately HK\$8,737 million) for the six months ended 30 September 2020.

Gross pay-ins for low playing cost halls decreased by ¥67,302 million (equivalent to approximately HK\$4,931 million\*), or 40.1%\*, from ¥167,707 million (equivalent to approximately HK\$12,179 million) for the six months ended 30 September 2019 to ¥100,405 million (equivalent to approximately HK\$7,355 million) for the six months ended 30 September 2020.

# Financial Review

## GROSS PAYOUTS

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

Our gross payouts was ¥305,299 million (equivalent to approximately HK\$22,171 million) and ¥174,408 million (equivalent to approximately HK\$12,777 million) for the six months ended 30 September 2019 and 2020 respectively.

The decrease was primarily due to the decrease in gross pay-ins in connection with the outbreak of the coronavirus (Covid-19) during this interim period.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥77,747 million (equivalent to approximately HK\$5,696 million\*), or 44.4%\*, from ¥175,248 million (equivalent to approximately HK\$12,727 million) for the six months ended 30 September 2019 to ¥97,501 million (equivalent to approximately HK\$7,143 million) for the six months ended 30 September 2020.

Gross payouts for low playing cost halls decreased by ¥53,144 million (equivalent to approximately HK\$3,893 million\*), or 40.9%\*, from ¥130,051 million (equivalent to approximately HK\$9,444 million) for the six months ended 30 September 2019 to ¥76,907 million (equivalent to approximately HK\$5,634 million) for the six months ended 30 September 2020.

## REVENUE FROM PACHINKO BUSINESS AND REVENUE MARGIN

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

Our revenue from pachinko business decreased by ¥28,715 million (equivalent to approximately HK\$2,104 million\*), or 38.8%\*, from ¥73,970 million (equivalent to approximately HK\$5,372 million) for the six months ended 30 September 2019 to ¥45,255 million (equivalent to approximately HK\$3,315 million) for the six months ended 30 September 2020.

Our revenue from pachinko business by hall type are as follows.

Revenue from pachinko business for high playing cost halls decreased by ¥14,557 million (equivalent to approximately HK\$1,066 million\*), or 40.1%\*, from ¥36,314 million (equivalent to approximately HK\$2,637 million) for the six months ended 30 September 2019 to ¥21,757 million (equivalent to approximately HK\$1,594 million) for the six months ended 30 September 2020. The revenue margin for the six months ended 30 September 2020 increased by 1.0 point\* to 18.2% as compared with the previous interim period.

Revenue from pachinko business for low playing cost halls decreased by ¥14,158 million (equivalent to approximately HK\$1,037 million\*), or 37.6%\*, from ¥37,656 million (equivalent to approximately HK\$2,735 million) for the six months ended 30 September 2019 to ¥23,498 million (equivalent to approximately HK\$1,721 million) for the six months ended 30 September 2020. The revenue margin for the six months ended 30 September 2020 increased by 0.9 point\* to 23.4% as compared with the previous interim period.

\* 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.

## PACHINKO BUSINESS EXPENSES

Pachinko business expenses for the six months ended 30 September 2020 was ¥46,396 million (equivalent to approximately HK\$3,399 million), recording a decrease by ¥14,738 million (equivalent to approximately HK\$1,080 million\*), or 24.1%\* as compared to the previous interim period.

The decrease was primarily due to the cost reduction of our pachinko business expenses in response to the significant decrease in gross pay-ins during this interim period.

Our pachinko business expenses by hall type are as follows.

Pachinko business expenses for high playing cost halls decreased by ¥6,022 million (equivalent to approximately HK\$441 million\*), or 22.0%\*, from ¥27,319 million (equivalent to approximately HK\$1,984 million) for the six months ended 30 September 2019 to ¥21,297 million (equivalent to approximately HK\$1,560 million) for the six months ended 30 September 2020.

Pachinko business expenses for low playing cost halls decreased by ¥8,716 million (equivalent to approximately HK\$639 million\*), or 25.8%\*, from ¥33,815 million (equivalent to approximately HK\$2,455 million) for the six months ended 30 September 2019 to ¥25,099 million (equivalent to approximately HK\$1,839 million) for the six months ended 30 September 2020.

## AIRCRAFT LEASING BUSINESS

The business environment of the aircraft leasing industry as a whole during this interim period has continued to operate under a severe business environment. Aircraft operations are suspended around the world due to the spread of the new coronavirus infection, and around the world leasing companies are requested to defer leasing fees.

Under such business environment, the Group has not yet purchased new aircraft in this interim period, but we have strengthened our organization to expand our business while we have managed the three aircrafts purchased in the previous consolidated fiscal year. Furthermore, there was no deferral of lease payments during the current interim period, and there was no significant impact on business results.

In addition, our aircraft portfolio is limited to the narrow-body aircraft with high liquidity, average age is as young as 1.7 years, and average remaining lease period is as long as 5.0 years. We believe that we are in a position with a high advantage.

Set out below is detailed performance of revenue from aircraft leasing business and aircraft leasing expenses for this interim period.

## REVENUE FROM AIRCRAFT LEASING BUSINESS

Revenue from aircraft leasing business increased by ¥655 million (equivalent to approximately HK\$48 million\*), or 798.8%\*, from ¥82 million (equivalent to approximately HK\$6 million) for the six months ended 30 September 2019 to ¥737 million (equivalent to approximately HK\$54 million) for the six months ended 30 September 2020.

The increase of revenue from aircraft leasing business was primarily due to the increased number of the aircraft owned by the Group.

# Financial Review

## AIRCRAFT LEASING EXPENSES

Aircraft leasing expenses increased by ¥358 million (equivalent to approximately HK\$26 million\*), or 416.3%\*, from ¥86 million (equivalent to approximately HK\$6 million) for the six months ended 30 September 2019 to ¥444 million (equivalent to approximately HK\$32 million) for the six months ended 30 September 2020.

The increase of aircraft leasing expenses was primarily due to the increased number of the aircraft owned by the Group and increased labor cost primarily due to strengthening our organization.

## GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥257 million (equivalent to approximately HK\$19 million\*), or 11.0%\*, from ¥2,339 million (equivalent to approximately HK\$170 million) for the six months ended 30 September 2019 to ¥2,082 million (equivalent to approximately HK\$153 million) for the six months ended 30 September 2020.

## OTHER INCOME

Other income increased by ¥1,773 million (equivalent to approximately HK\$130 million\*), or 40.6%\*, from ¥4,369 million (equivalent to approximately HK\$317 million) for the six months ended 30 September 2019 to ¥6,142 million (equivalent to approximately HK\$450 million) for the six months ended 30 September 2020.

The increase was primarily due to the government grants from the local governments for the temporarily suspended operation of our pachinko halls in response to the requests from the local governments in connection with the outbreak of the coronavirus (Covid-19) during this interim period.

## OTHER OPERATING EXPENSES

Other operating expenses decreased by ¥389 million (equivalent to approximately HK\$28 million\*), or 47.4%\*, from ¥820 million (equivalent to approximately HK\$60 million) for the six months ended 30 September 2019 to ¥431 million (equivalent to approximately HK\$32 million) for the six months ended 30 September 2020.

The decrease was primarily due to the decrease of impairment loss of property, plant and equipment.

## FINANCE INCOME

Finance income decreased by ¥132 million (equivalent to approximately HK\$10 million\*), from ¥286 million (equivalent to approximately HK\$21 million) for the six months ended 30 September 2019 to ¥154 million (equivalent to approximately HK\$11 million) for the six months ended 30 September 2020.

## FINANCE EXPENSES

Finance expenses increased by ¥280 million (equivalent to approximately HK\$21 million\*), from ¥1,178 million (equivalent to approximately HK\$86 million) for the six months ended 30 September 2019 to ¥1,458 million (equivalent to approximately HK\$107 million) for the six months ended 30 September 2020.

The increase was primarily due to the increased interest expenses of the borrowings.

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

## CASH FLOW

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

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

	Six months ended 30 September			
	2020 (unaudited)		2019 (unaudited)	
	(in millions)			
	¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>
Net cash generated from operating activities	13,363	979	17,458	1,267
Net cash used in investing activities	(1,207)	(89)	(8,430)	(612)
Net cash generated from/(used in) financing activities	14,068	1,031	(8,062)	(585)
Effects of exchange rate changes on cash and cash equivalents	(194)	(14)	(363)	(26)
Net increase in cash and cash equivalents	26,030	1,907	603	44
Cash and cash equivalents at the beginning of period	41,810	3,063	47,537	3,452
Cash and cash equivalents at the end of period	67,840	4,970	48,140	3,496

### *Net cash generated from operating activities*

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

	Six months ended 30 September			
	2020 (unaudited)		2019 (unaudited)	
	(in millions)			
	¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>
Operating profit before working capital changes	12,878	943	24,959	1,812
Change in working capital	1,666	122	(2,405)	(175)
Cash generated from operations	14,544	1,065	22,554	1,637
Income taxes paid	(28)	(2)	(4,099)	(298)
Finance expenses paid	(1,153)	(84)	(997)	(72)
Net cash generated from operating activities	13,363	979	17,458	1,267

<sup>(1)</sup> Translated into Hong Kong dollars at the rate of ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020).

<sup>(2)</sup> Translated into Hong Kong dollars at the rate of ¥13.77 to HK\$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019).

# Financial Review

Our net cash generated from operating activities was ¥17,458 million (equivalent to approximately HK\$1,267 million) and ¥13,363 million (equivalent to approximately HK\$979 million) for the six months ended 30 September 2019 and 2020, respectively.

The decrease in our net cash generated from operating activities was primarily due to the decrease of operating profit before working capital changes.

## ***Net cash used in investing activities***

Our cash used in investing activities primarily consists of capital expenditures for property, plant and equipment, including freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles and construction in progress. Net cash used in investing activities was ¥8,430 million (equivalent to approximately HK\$612 million) and ¥1,207 million (equivalent to approximately HK\$89 million) for the six months ended 30 September 2019 and 2020, respectively. The cash outflow for the six months ended 30 September 2020 was primarily due to the purchase of property, plant, and equipment, amounted to ¥1,311 million (equivalent to approximately HK\$96 million).

The decrease in our net cash used in investing activities was primarily due to curving new investments in response to the outbreak of the coronavirus (Covid-19) during this interim period.

## ***Net cash generated from/(used in) financing activities***

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

Net cash used in financing activities was ¥8,062 million (equivalent to approximately HK\$585 million) and net cash generated from financing activities was ¥14,068 million (equivalent to approximately HK\$1,031 million) for the six months ended 30 September 2019 and 2020, respectively.

The increase of net cash generated from financing activities for the six months ended 30 September 2020 was primarily due to cash inflow by raising of bank loans in the amount of ¥28,292 million (equivalent to approximately HK\$2,073 million), while cash outflow by repayment of bank loans in the amount of ¥6,047 million (equivalent to approximately HK\$443 million), repayment of leases payables in the amount of ¥5,123 million (equivalent to approximately HK\$375 million) and dividend payment in the amount of ¥2,298 million (equivalent to approximately HK\$168 million).



## LIQUIDITY

### *Net current assets and working capital sufficiency*

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

	30 September 2020 (unaudited)		31 March 2020 (audited)	
	(in millions)			
	¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>
<b>Current assets</b>				
Inventories	2,181	160	3,378	241
Trade receivables	396	29	554	40
Lease receivables	2,070	152	2,137	152
Prizes in operation of pachinko halls	4,430	325	4,574	326
Other current assets	3,340	245	3,345	238
Cash and cash equivalents	67,840	4,969	41,810	2,980
	<b>80,257</b>	<b>5,880</b>	55,798	3,977
<b>Current liabilities</b>				
Trade and other payables	14,487	1,061	14,801	1,055
Borrowings	21,932	1,606	3,008	214
Lease payables	12,019	881	12,185	869
Provisions	2,493	183	2,054	146
Income taxes payables	3,608	264	3,301	235
Other current liabilities	8,144	597	8,679	619
	<b>62,683</b>	<b>4,592</b>	44,028	3,138
<b>Net current assets</b>	<b>17,574</b>	<b>1,288</b>	11,770	839

<sup>(1)</sup> Translated into Hong Kong dollars at the rate of ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020).

<sup>(2)</sup> 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).

As at 31 March 2020 and 30 September 2020, our net current assets totaled ¥11,770 million (equivalent to approximately HK\$839 million) and ¥17,574 million (equivalent to approximately HK\$1,288 million), respectively, and our current ratio was 1.3 and 1.3, respectively.

# Financial Review

## CAPITAL EXPENDITURE

### *Pachinko business*

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

### *Aircraft leasing business*

During the six months ended 30 September 2020, the Group didn't acquire new aircraft related to the aircraft leasing business.

As a result, during the six months ended 30 September 2020, the Group acquired property, plant and equipment of ¥1,155 million (equivalent to approximately HK\$85 million) (2019: ¥7,892 million, equivalent to approximately HK\$573 million).

## CONTINGENT LIABILITIES

As at 30 September 2020, we had no material contingent liabilities.

## CAPITAL COMMITMENTS

The information on capital commitments is provided in Note 14 to the interim condensed consolidated financial information on page 56 of this Interim Report.

## ACQUISITION AND DISPOSAL

For the six months ended 30 September 2020, there was no material acquisition and disposal of any of our subsidiaries.

## SIGNIFICANT INVESTMENTS

### *Pachinko Business*

Save for the capital expenditure of pachinko business, set out in **CAPITAL EXPENDITURE** in the paragraph above, we did not have any significant investments during the six months ended 30 September 2020.

### *Aircraft Leasing Business*

We did not have any significant investments during the six months ended 30 September 2020.

## EMPLOYEES

As at 30 September 2020, we had approximately 17,077 employees (31 March 2020: 17,533). We will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution and housing fund schemes.

## 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.

### ***Indebtedness***

Our short-term and long-term borrowings outstanding as at 30 September 2020 were ¥21,932 million (equivalent to approximately HK\$1,606 million) and ¥13,312 million (equivalent to approximately HK\$975 million), respectively.

During the six months ended 30 September 2020, the Group financed short-term borrowings of ¥36,012 million (equivalent to approximately HK\$2,638 million) and long-term borrowings of ¥5,280 million (equivalent to approximately HK\$387 million) for the purpose of securing management safety in preparation for the decline in business performance due to the outbreak of the coronavirus (Covid-19).

These borrowings of the Group include short-term borrowings of ¥1,081 million (equivalent to approximately HK\$79 million) and long-term borrowings of ¥9,347 million (equivalent to approximately HK\$685 million) related to the aircraft leasing business.

The borrowings are non-recourse loan which resources of repayment are limited to the cash flow generated by aircraft leasing business and the Group has no obligation to repay beyond that limit pursuant to the loan agreements. In this regard, management considers that the Group's risks associated with borrowings are significantly reduced.

### ***Loan facilities***

As at 30 September 2020, the Group had a total amount of approximately ¥49,000 million (equivalent to approximately HK\$3,590 million) of banking facilities and an installment facility available to us, of which approximately ¥29,307 million (equivalent to approximately HK\$2,147 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 of earthquake disaster.

This commitment line provides a revolving loan facility in an amount of up to ¥15,000 million (equivalent to approximately HK\$1,099 million). The commitment of the lenders to provide loans under the revolving loan facility is available for the period from 30 December 2014, 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 31 August 2020, Dynam entered into ¥9,000 million (equivalent to approximately HK\$659 million) loan agreements to be executed on 1 December 2020 and ¥6,000 million (equivalent to approximately HK\$440 million) loan agreements to be executed on 1 February 2021, respectively.

\* Tokyo Interbank Offered Rate

# Financial Review

## FINANCIAL RISK MANAGEMENT

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

### **Market risk**

#### Foreign currency risk

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

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

#### Price risk

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

#### Interest rate risk

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

### **Credit risk**

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

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

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

### **Liquidity risk**

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

# Other Information

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

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

### (i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares <sup>(1)</sup>	Approximate Percentage of Interests in the Company <sup>(2)</sup>
Mr. Yoji SATO	Interest of controlled corporations <sup>(3)</sup>	273,632,560	
	Interest of spouse <sup>(3)</sup>	760	
	Other <sup>(4)</sup>	171,171,800	
		444,805,120	58.575%
Mr. Kohei SATO	Beneficial Owner <sup>(5)</sup>	53,639,680	
	Interest of spouse <sup>(5)</sup>	1,500,000	
	Other <sup>(4)</sup>	389,665,440	
		444,805,120	58.575%
Mr. Makoto SAKAMOTO	Beneficial Owner	22,000	0.003%
Mr. Akira HOSAKA	Beneficial Owner	78,121	0.010%

# Other Information

Notes:

- (1) All interests stated are long positions.
- (2) There were 759,373,296 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) 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 resigned as chairman of the board of Directors (the "Board"), chief executive officer, president and executive officer of the Company with effect from 27 April 2020, and has been re-designated from executive Director to non-executive Director on 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 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 <sup>(1)</sup>	Approximate Percentage of Interests in the Company <sup>(2)</sup>
SAC	Beneficial owner <sup>(3)</sup>	177,822,560	
	Interest of controlled corporation <sup>(3)</sup>	95,810,000	
		273,632,560	36.034%
Rich-O	Beneficial owner <sup>(3)</sup>	95,810,000	12.617%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	10.535%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse <sup>(4)</sup>	273,632,560	
	Other <sup>(7)</sup>	171,171,800	
		444,805,120	58.575%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation <sup>(5)</sup>	14,580,104	
	Other <sup>(7)</sup>	410,645,440	
		444,805,120	58.575%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other <sup>(7)</sup>	403,829,440	
		444,805,120	58.575%
Mrs. Yaeko NISHIWAKI	Beneficial owner	22,979,576	
	Interest of controlled corporation <sup>(6)</sup>	17,917,184	
	Other <sup>(7)</sup>	403,908,360	
		444,805,120	58.575%
Mrs. Shizuka SATO	Beneficial owner	1,500,000	
	Interest of spouse <sup>(8)</sup>	53,639,680	
		55,139,680	7.261%

# Other Information

## Notes:

- (1) All interests stated are long positions.
- (2) There were 759,373,296 Shares in issue as at the end of the Reporting Period.
- (3) See Note (3) on page 28 of this interim report.
- (4) Mr. Yoji SATO is Mrs. Keiko SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.
- (5) LAPULE, Ltd., which is wholly owned and controlled by Mr. Masahiro SATO, is beneficially interested in 14,580,104 Shares and such interests are deemed to be Mr. Masahiro SATO's interests under the SFO.
- (6) N. Company Co., Ltd., which is wholly owned and controlled by Mrs. Yaeko NISHIWAKI, is beneficially interested in 17,917,184 Shares and such interests are deemed to be Mrs. Yaeko NISHIWAKI's interests under the SFO.
- (7) See Note (4) on page 28 of this interim report.
- (8) Mr. Kohei SATO is Mrs. Shizuka SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

### **Code Provision A.2.1**

Code provision A.2.1 provides that the roles of chairman and chief executive should be performed by different individuals. During the Reporting Period, Mr. Kohei SATO had been in both roles till 26 April 2020.

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 Group, 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, with over half of the Board members being independent non-executive Directors.

On 24 April 2020, Mr. Tatsuji FUJIMOTO has been appointed as the chairman of the Board, and Mr. Makoto SAKAMATO has been appointed as the chief executive officer. From 24 June 2020, Mr. Tatsuji FUJIMOTO has retired as the chairman of the Board, and Mr. Makoto SAKAMATO has been in both roles. However, the Board considers that this is beneficial and in the interests of the Company and the Shareholders and that a balance of power and authority are ensured for the same reasons as mentioned in the preceding paragraph.

### **Code Provision E.1.3**

Code provision E.1.3 stipulates that the notice for an annual general meeting (the "AGM") should be sent to shareholders by issuer at least 20 clear business days before the meeting. The AGM of the Company for the year ended 31 March 2020 was held on 24 June 2020, while the AGM notice was despatched on 2 June 2020. The above arrangement complied with the articles of incorporation of the Company in respect of the minimum notice period of 21 calendar days but the AGM notice period was less than 20 clear business days before the AGM.

Under the Companies Act of Japan (Act No. 86 of 2005, as amended and supplemented from time to time) (the "Companies Act") and the articles of incorporation of the Company, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2020). The Companies Act also requires that the notice for the AGM be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report of the Company must contain audited financial statements prepared under the International Financial Reporting Standards as required under the Listing Rules. As a result, more time was required to finalize the annual report which accompanied the AGM notice being despatched to the Shareholders.



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

The Company has adopted the Model Code and the “Rules on Prevention of Insider Dealings” as a code of conduct regarding Directors’ transactions of the listed securities of the Company. The “Rules on Prevention of Insider Dealings”, in addition to the Model Code, has been formulated and adopted by the Company on 1 April 2014 for Directors and employees of the Company who are likely to have access to unpublished inside information of the Group (last amended on 27 February 2020). The Company has made specific enquiry to all of the Directors, and all of the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the “Rules on Prevention of Insider Dealings” throughout the Reporting Period.

## AUDIT COMMITTEE’S REVIEW OF FINANCIAL STATEMENTS

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

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the Reporting Period, save as disclosed herein, the changes in the information relating to the Directors which are required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

- (1) As disclosed in the announcement of the Company dated 27 April 2020, on 27 April 2020, due to health issue, Mr. Kohei SATO resigned (a) as chairman of the Board, chief executive officer, president, executive officer, member of nomination committee and member of remuneration committee of the Company, (b) chairman of the board and director of Dynam, and (c) director and chief executive officer of Dynam Hong Kong. Further, on 27 April 2020 following his resignation stated above, Mr. Kohei SATO was re-designated from an executive Director to a non-executive Director.
- (2) As disclosed in the announcement of the Company dated 27 April 2020, on 27 April 2020, Mr. Tatsuji FUJIMOTO was appointed as chairman of the Board and a member of the nomination committee and the remuneration committee of the Company; and Mr. Makoto SAKAMOTO was appointed as chief executive officer and president of the Company.
- (3) On 16 June 2020, Mr. Tatsuji FUJIMOTO retired as representative director, director and president of Dynam; and Mr. Akira HOSAKA was appointed as representative director and president of Dynam.
- (4) As disclosed in the announcement of the Company dated 24 June 2020, on 24 June 2020, Mr. Tatsuji FUJIMOTO retired as non-executive Director, chairman of the Board, and member of nomination committee and member of remuneration committee of the Company; Mr. Noriaki USHIJIMA retired as non-executive Director; Mr. Ichiro TAKANO retired as non-executive Director, and chairman and member of audit committee of the Company; Mr. Makoto SAKAMOTO was appointed as executive Director, chairman of the Board, and member of nomination committee and remuneration committee of the Company; Mr. Akira HOSAKA was appointed as non-executive Director; Mr. Koji KATO was appointed as independent non-executive Director and member of audit committee of the Company; and Mr. Kiyohito KANDA was appointed as chairman of audit committee of the Company.
- (5) Considering that the results of the Group are expected to be negatively impacted by the outbreak and expansion of the Covid-19, the Company has decided that the remuneration of each Director is reduced by 10% from May 2020 to March 2021 (the monthly remuneration in June of each Director was cut by 30%). Also, the bonus of each Director that was supposed to be paid in June 2020 was not paid.

# Other Information

## INTERIM DIVIDENDS

The Board declared an interim dividend of ¥6 per ordinary Share in respect of the Reporting Period, payable on 13 January 2021 to the Shareholders whose names appear on the Company's share register as at the close of business on 14 December 2020. Based on the assumption that 759,003,496 Shares shall be in issue as at 14 December 2020, it is expected that the interim dividend payable will amount to approximately ¥2,277 million (equivalent to approximately HK\$167 million).

In the case when the dividends are distributed to the Shareholders in Hong Kong dollars, the exchange rate for the conversion of Japanese yen to Hong Kong dollar are based on the average currency rates prevailing five business days immediately before 25 November 2020.

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

During the Reporting Period, the Company repurchased its Shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$
July 2020	211,000	5.70	5.50	1,177,722
August 2020	3,970,800	9.01	6.42	31,981,062
September 2020	2,769,800	8.10	7.64	21,863,066
	6,951,600			55,021,850

All of the above-described Shares repurchased were subsequently cancelled. The number of issued Shares as of 30 September 2020 was 759,373,296.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

On behalf of the Board  
**Makoto SAKAMOTO**  
*Chairman of the Board*

25 November 2020

# Report on Review of the Interim Condensed Consolidated Financial Information



**TO THE BOARD OF DIRECTORS OF DYNAM JAPAN HOLDINGS CO., LTD.**

*(Incorporated in Japan with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 34 to 59, which comprises the interim condensed consolidated statement of financial position of Dynam Japan Holdings Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2020 and the interim condensed consolidated statements of profit or loss, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six months-period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers Aarata LLC**

*Certified Public Accountants*

Japan, 25 November 2020

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*PricewaterhouseCoopers Aarata LLC  
Otemachi Park Building 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan  
Tel: +81 (3) 6212 6800, Fax: +81 (3) 6212 6801, [www.pwc.com/jp/assurance](http://www.pwc.com/jp/assurance)*

# Interim Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Six months ended 30 September	
		2020 ¥ million (unaudited)	2019 ¥ million (unaudited) (restated)
<b>Revenue</b>	5	<b>45,992</b>	74,052
Revenue from pachinko business		<b>45,255</b>	73,970
Revenue from aircraft leasing business		<b>737</b>	82
Pachinko business expenses	6	<b>(46,396)</b>	(61,134)
Aircraft leasing expenses	7	<b>(444)</b>	(86)
General and administrative expenses		<b>(2,082)</b>	(2,339)
Other income	8	<b>6,142</b>	4,369
Other operating expenses	9	<b>(431)</b>	(820)
<b>Operating profit</b>		<b>2,781</b>	14,042
Finance income	10	<b>154</b>	286
Finance expenses	11	<b>(1,458)</b>	(1,178)
<b>Profit before income taxes</b>		<b>1,477</b>	13,150
Income taxes	12	<b>(788)</b>	(4,454)
<b>Net profit for the period</b>		<b>689</b>	8,696
<b>Attributable to:</b>			
Owners of the Company		<b>698</b>	8,691
Non-controlling interests		<b>(9)</b>	5
		<b>689</b>	8,696
<b>Earnings per share</b>			
Basic (expressed in ¥)	19	<b>0.91</b>	11.35
Diluted (expressed in ¥)	19	<b>0.91</b>	11.35

# Interim Condensed Consolidated Statement of **Comprehensive Income**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Six months ended 30 September	
		2020	2019
		¥ million (unaudited)	¥ million (unaudited)
<b>Net profit for the period</b>		<b>689</b>	8,696
<b>Other comprehensive (loss)/income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of financial assets measured at fair value through other comprehensive income		<b>405</b>	(748)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		<b>(7)</b>	5
		<b>398</b>	(743)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(538)</b>	(614)
		<b>(538)</b>	(614)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(140)</b>	(1,357)
<b>Total comprehensive income for the period</b>		<b>549</b>	7,339
<b>Attributable to:</b>			
Owners of the Company		<b>557</b>	7,333
Non-controlling interests		<b>(8)</b>	6
		<b>549</b>	7,339

# Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2020

	Note	At 30 September 2020 ¥ million (unaudited)	At 31 March 2020 ¥ million (audited)
<b>Non-current assets</b>			
Property, plant and equipment	13, 14	100,588	105,206
Right-of-use assets		79,027	79,048
Investment properties		2,890	2,928
Intangible assets		3,476	3,623
Financial assets measured at fair value through other comprehensive income		3,067	2,813
Lease receivables		5,354	5,478
Deferred tax assets		14,254	14,706
Other non-current assets		7,471	7,639
		<b>216,127</b>	221,441
<b>Current assets</b>			
Inventories		2,181	3,378
Trade receivables	15	396	554
Lease receivables		2,070	2,137
Prizes in operation of pachinko halls		4,430	4,574
Other current assets		3,340	3,345
Cash and cash equivalents		67,840	41,810
		<b>80,257</b>	55,798
<b>TOTAL ASSETS</b>		<b>296,384</b>	277,239
<b>Current liabilities</b>			
Trade and other payables	16	14,487	14,801
Borrowings		21,932	3,008
Lease payables		12,019	12,185
Provisions		2,493	2,054
Income taxes payables		3,608	3,301
Other current liabilities		8,144	8,679
		<b>62,683</b>	44,028

	Note	At 30 September 2020 ¥ million (unaudited)	At 31 March 2020 ¥ million (audited)
<b>Net current assets</b>		<b>17,574</b>	11,770
Total assets less current liabilities		<b>233,701</b>	233,211
<b>Non-current liabilities</b>			
Deferred tax liabilities		24	21
Borrowings		13,312	10,220
Lease payables		81,362	81,611
Other non-current liabilities		1,193	1,027
Provisions		5,582	5,600
		<b>101,473</b>	98,479
<b>NET ASSETS</b>		<b>132,228</b>	134,732
<b>Capital and reserves</b>			
Share capital		15,000	15,000
Capital reserve		12,023	12,741
Treasury shares	17	(37)	–
Retained earnings		107,717	109,317
Other components of equity		(2,446)	(2,305)
<b>Equity attributable to owners of the Company</b>		<b>132,257</b>	134,753
<b>Non-controlling interests</b>		<b>(29)</b>	(21)
<b>TOTAL EQUITY</b>		<b>132,228</b>	134,732

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Treasury shares	Retained earnings	Other components of equity				Non-controlling interests	Total equity	
					Fair value of financial assets at	Foreign currency translation	Other	Total			
					FVTOCI	reserve	reserves				Total
¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	
At 1 April 2019	15,000	12,741	–	105,761	(2,524)	1,395	5	(1,124)	132,378	(21)	132,357
Profit for the period	–	–	–	8,691	–	–	–	–	8,691	5	8,696
Other comprehensive income for the period	–	–	–	–	(743)	(615)	–	(1,358)	(1,358)	1	(1,357)
Total comprehensive income for the period	–	–	–	8,691	(743)	(615)	–	(1,358)	7,333	6	7,339
2019 final dividend paid (Note 18)	–	–	–	(4,596)	–	–	–	–	(4,596)	–	(4,596)
Total changes in equity for the period	–	–	–	4,095	(743)	(615)	–	(1,358)	2,737	6	2,743
At 30 September 2019	15,000	12,741	–	109,856	(3,267)	780	5	(2,482)	135,115	(15)	135,100
At 1 April 2020	<b>15,000</b>	<b>12,741</b>	–	<b>109,317</b>	<b>(3,400)</b>	<b>1,090</b>	<b>5</b>	<b>(2,305)</b>	<b>134,753</b>	<b>(21)</b>	<b>134,732</b>
Profit for the period	–	–	–	<b>698</b>	–	–	–	–	<b>698</b>	<b>(9)</b>	<b>689</b>
Other comprehensive income for the period	–	–	–	–	<b>398</b>	<b>(539)</b>	–	<b>(141)</b>	<b>(141)</b>	<b>1</b>	<b>(140)</b>
Total comprehensive income for the period	–	–	–	<b>698</b>	<b>398</b>	<b>(539)</b>	–	<b>(141)</b>	<b>557</b>	<b>(8)</b>	<b>549</b>
Acquisition of treasury shares (Note 17(i))	–	–	<b>(755)</b>	–	–	–	–	–	<b>(755)</b>	–	<b>(755)</b>
Cancellation of treasury shares (Note 17(ii))	–	<b>(718)</b>	<b>718</b>	–	–	–	–	–	–	–	–
2020 final dividend paid (Note 18)	–	–	–	<b>(2,298)</b>	–	–	–	–	<b>(2,298)</b>	–	<b>(2,298)</b>
Total changes in equity for the period	–	<b>(718)</b>	<b>(37)</b>	<b>(1,600)</b>	<b>398</b>	<b>(539)</b>	–	<b>(141)</b>	<b>(2,496)</b>	<b>(8)</b>	<b>(2,504)</b>
At 30 September 2020	<b>15,000</b>	<b>12,023</b>	<b>(37)</b>	<b>107,717</b>	<b>(3,002)</b>	<b>551</b>	<b>5</b>	<b>(2,446)</b>	<b>132,257</b>	<b>(29)</b>	<b>132,228</b>



# Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Six months ended 30 September	
		2020	2019
		¥ million	¥ million
		(unaudited)	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income taxes		<b>1,477</b>	13,150
Adjustments for:			
Finance expenses		<b>1,458</b>	1,178
Finance income		<b>(154)</b>	(286)
Depreciation of property, plant and equipment		<b>5,117</b>	5,147
Depreciation of right-of-use assets		<b>5,099</b>	5,150
Amortisation of intangible assets		<b>196</b>	163
Impairment loss on property, plant and equipment		<b>28</b>	120
Impairment loss on right-of-use assets		<b>7</b>	191
Loss on disposals and write off of property, plant and equipment		<b>40</b>	129
Other adjustments		<b>(390)</b>	17
Operating profit before working capital changes:		<b>12,878</b>	24,959
Decrease/(increase) in prizes in operation of pachinko halls		<b>144</b>	(853)
Decrease/(increase) in inventories		<b>1,156</b>	(1,652)
Decrease in trade receivables		<b>155</b>	26
Increase/(decrease) in other non-current assets		<b>72</b>	(161)
Decrease in other current assets		<b>88</b>	2,152
Decrease/(increase) in finance lease receivables		<b>128</b>	(80)
Decrease in trade and other payables		<b>(105)</b>	(2,172)
(Decrease)/increase in other current liabilities		<b>(535)</b>	156
Increase in other non-current liabilities		<b>168</b>	54
Increase in current provisions		<b>395</b>	125
Cash generated from operations		<b>14,544</b>	22,554
Income taxes paid		<b>(28)</b>	(4,099)
Finance expenses paid		<b>(1,153)</b>	(997)
<b>Net cash generated from operating activities</b>		<b>13,363</b>	17,458

# Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Six months ended 30 September	
		2020 ¥ million (unaudited)	2019 ¥ million (unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,311)	(8,337)
Proceeds from disposal of property, plant and equipment		–	9
Proceeds from disposal of investment properties		–	1
Purchase of intangible assets		(118)	(186)
Payments for asset retirement obligations		(16)	(19)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		13	(0)
Collection of loans receivable		0	1
Increase in rental deposits		(40)	(215)
Decrease in rental deposits		153	101
Finance income received		105	216
Other adjustments		7	(1)
<b>Net cash used in investing activities</b>		<b>(1,207)</b>	<b>(8,430)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Bank loans raised		28,292	3,992
Repayment of bank loans		(6,047)	(1,961)
Repayment of leases payables		(5,123)	(5,497)
Acquisition of treasury shares	17	(756)	–
Dividends paid	18	(2,298)	(4,596)
<b>Net cash generated from/(used in) financing activities</b>		<b>14,068</b>	<b>(8,062)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(194)</b>	<b>(363)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>26,030</b>	<b>603</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>41,810</b>	<b>47,537</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>67,840</b>	<b>48,140</b>

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 1. GENERAL INFORMATION

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

The interim condensed consolidated financial information of the Company 30 September 2020 consists of the Company and its subsidiaries (the “Group”). The Group has identified and disclosed two reportable segments, namely ‘Pachinko business’ and ‘Aircraft leasing business’.

The interim condensed consolidated financial information was approved and authorised for issuance by the Board of Directors on 25 November 2020.

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

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2020 has been prepared in accordance with IAS 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2020 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Significant accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2020 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2020 except for the following.

### ***Changes in method of presentation (Revenues and expenses related to the aircraft leasing business)***

Previously, revenues from the aircraft leasing business was included in “Other income” and cost of the aircraft leasing business was included in “Other operating expenses” in the interim condensed consolidated statement of profit or loss respectively. During the six months ended 30 September 2020, the revenues and costs related to the aircraft leasing business were increased due to the scale of the expansion of the business activity. From the six months ended 30 September 2020, revenue from aircraft leasing business have been presented separately as “Revenue from aircraft leasing business” and cost of the aircraft leasing business have been presented separately as “Aircraft leasing expenses”. In addition, pachinko business expenses, which was previously disclosed as “Hall operating expenses” for the six months ended 30 September 2019, have been presented as “Pachinko business expenses” from the six months ended 30 September 2020.

To reflect these changes in the presentation method, “Other income” of ¥82 million was restated in “Revenue from aircraft leasing business” and “Other operating expenses” of ¥86 million was restated in “Aircraft leasing expenses” respectively for the six months ended 30 September 2019.

The change in the presentation method has no impacts on the operating profit and net profit for the period for the six months ended 30 September 2019 and 2020.

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 2. BASIS OF PREPARATION *(Continued)*

### ***Grants from the government***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the related costs that are intended to be compensated by the grant are recognized as expenses.

### ***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.

### ***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 2020 with no impact on the Group's results of operations and financial positions:

- IFRS 3 (Amendment), 'Business Combinations'
- IAS 1 (Amendment), 'Presentation of Financial Statements'
- IAS 8 (Amendment), 'Accounting Policies, Changes in Accounting Estimates and Errors'

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

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

## 2. BASIS OF PREPARATION *(Continued)*

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IAS 1 (Amendment)	Presentation of Financial Statements	1 January 2022	31 March 2023	Classification of Liabilities as Current or Non-Current
IFRS 3 (Amendment)	Business Combinations	1 January 2022	31 March 2023	Reference to the Conceptual Framework
IAS 16 (Amendment)	Property, Plant and Equipment	1 January 2022	31 March 2023	Property, Plant and Equipment — Proceeds before Intended Use
IAS 37 (Amendment)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022	31 March 2023	Onerous Contracts — Cost of Fulfilling a Contract
IFRSs (Amendment)	Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022	31 March 2023	Minor amendments with regard to IFRS 9 Financial Instruments IFRS 16 Leases

## 3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial information are the same as those of the consolidated financial information for the year ended 31 March 2020, with the exception that income taxes in the interim periods are calculated based upon the tax rate that would be applicable to estimated annual earnings.

No significant changes have been made to the estimation of the impact relating to spread of COVID-19 for the six-month period ended 30 September 2020.

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	At 30 September 2020		At 31 March 2020	
	¥ million (unaudited)		¥ million (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets measured at FVTOCI	3,067	3,067	2,813	2,813
Financial assets measured at amortised cost				
Receivables (including cash and cash equivalents)	70,374	70,374	43,207	43,207
Rental deposits	6,066	6,378	6,190	6,575
Lease receivables	7,425	7,425	7,615	7,615
<b>Total</b>	<b>86,932</b>	<b>87,244</b>	59,825	60,210
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
Trade payables and other financial liabilities	5,303	5,303	7,352	7,352
Borrowings	35,244	35,244	13,228	13,228
Lease payables	93,381	93,381	93,796	93,796
<b>Total</b>	<b>133,928</b>	<b>133,928</b>	114,376	114,376

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

### **(a) Fair value estimation**

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

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

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

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access on the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

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

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

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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

### *(b) Recognised fair value measurements*

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

<b>At 30 September 2020</b>		<b>Fair value measurements using:</b>			
<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
	<b>¥ million</b>	<b>¥ million</b>	<b>¥ million</b>	<b>¥ million</b>	
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	
Financial assets measured at FVTOCI					
Listed securities in Hong Kong	1,807	–	–	1,807	
Listed securities in Japan	401	–	–	401	
Others	–	–	859	859	
<b>Total</b>	<b>2,208</b>	<b>–</b>	<b>859</b>	<b>3,067</b>	

<b>At 31 March 2020</b>		<b>Fair value measurements using:</b>			
<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
	<b>¥ million</b>	<b>¥ million</b>	<b>¥ million</b>	<b>¥ million</b>	
	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>	
Financial assets measured at FVTOCI					
Listed securities in Hong Kong	1,557	–	–	1,557	
Listed securities in Japan	380	–	–	380	
Others	–	–	876	876	
<b>Total</b>	<b>1,937</b>	<b>–</b>	<b>876</b>	<b>2,813</b>	

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



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

### **(c) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

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

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

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

Changes in level 3 for the six months ended 30 September 2020 and 2019 were as follows:

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited)
Balance at beginning of the period	876	878
Loss/Gain in other comprehensive income	(7)	(5)
Sales/Redemptions	(10)	–
Balance at end of the period	859	873

### **(e) Valuation process**

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

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

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

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited) (restated)
Gross pay-ins	219,663	379,269
Less: Gross payouts	(174,408)	(305,299)
Revenue from pachinko business	45,255	73,970
Revenue from aircraft leasing business	737	82
Revenue	45,992	74,052

'Revenue from pachinko business' recognised from the transfer of goods at a point in time in accordance with IFRS 15 'Revenue from contracts with customers', and 'Revenue from aircraft leasing business' recognised in accordance with IFRS 16 'Leases'.

### (b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision maker is identified as the executive directors of the Company. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of adjusted profit before tax before unallocated corporate expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this consolidated financial statements.

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

From the six months ended 30 September 2020, management has identified and disclosed two reportable segments based on the types of services, namely 'Pachinko business' and 'Aircraft leasing business', due to the scale of the expansion of the aircraft leasing business activity.

In geographical information, revenue from external customers and non-current assets other than financial instruments and deferred tax assets of aircraft leasing business are disclosed as 'Europe' based on the location of the operations and geographical location of the assets respectively. Revenue from external customers and non-current assets other than financial instruments and deferred tax assets of other business are disclosed as 'Japan'.

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### *(b) Segment information (Continued)*

Segment information for the six months ended 30 September 2019 was also reclassified.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, intangible assets, inventories, prizes in operation of pachinko halls, lease receivables, trade receivables, other current and non-current assets and cash and cash equivalents.

Non-current assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets and long-term prepaid expenses.

Unallocated corporate expenses and income tax expenses are not included in segment results.

The segment information provided to the executive directors for the six months ended 30 September 2020 and 2019 are as follows:

	Six months ended 30 September 2020				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment revenue from external customers</b>	<b>45,255</b>	<b>737</b>	<b>45,992</b>	<b>–</b>	<b>45,992</b>
<b>Other segment items</b>					
Depreciation and amortisation expenses	(9,924)	(356)	(10,280)	(55)	(10,335)
Impairment loss	(34)	–	(34)	(1)	(35)
Finance income	72	5	77	62	139
Finance expenses	(1,056)	(185)	(1,241)	–	(1,241)
<b>Segment profit</b>	<b>4,227</b>	<b>120</b>	<b>4,347</b>	<b>–</b>	<b>4,347</b>
Corporate expenses					(2,870)
Profit before income taxes					1,477
Income taxes					(788)
<b>Net profit for the period</b>					<b>689</b>
Addition to non-current assets other than financial instruments and deferred tax assets	8,062	–	8,062	35	8,097

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### *(b) Segment information (Continued)*

	Six months ended 30 September 2019				
	Pachinko business ¥ million (unaudited) (restated)	Aircraft leasing business ¥ million (unaudited) (restated)	Segment Total ¥ million (unaudited) (restated)	Unallocated ¥ million (unaudited) (restated)	Total ¥ million (unaudited) (restated)
<b>Segment revenue from external customers</b>	73,970	82	74,052	–	74,052
<b>Other segment items</b>					
Depreciation and amortisation expenses	(10,290)	(37)	(10,327)	(48)	(10,375)
Impairment loss	(302)	–	(302)	(9)	(311)
Finance income	67	100	167	73	240
Finance expenses	(976)	(20)	(996)	(1)	(997)
<b>Segment profit</b>	16,029	75	16,104	–	16,104
Corporate expenses					(2,954)
Profit before income taxes					13,150
Income taxes					(4,454)
<b>Net profit for the period</b>					8,696
Addition to non-current assets other than financial instruments and deferred tax assets	10,052	4,750	14,802	846	15,648

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### *(b) Segment information (Continued)*

The segment assets and segment liabilities as at 30 September 2020 and as at 31 March 2020 are as follows:

As at 30 September 2020					
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment assets</b>	<b>239,032</b>	<b>20,585</b>	<b>259,617</b>	<b>36,767</b>	<b>296,384</b>
<b>Segment liabilities</b>	<b>105,593</b>	<b>20,789</b>	<b>126,382</b>	<b>37,774</b>	<b>164,156</b>

As at 31 March 2020					
	Pachinko business ¥ million (unaudited) (restated)	Aircraft leasing business ¥ million (unaudited) (restated)	Segment Total ¥ million (unaudited) (restated)	Unallocated ¥ million (unaudited) (restated)	Total ¥ million (unaudited) (restated)
<b>Segment assets</b>	227,613	21,625	249,238	28,001	277,239
<b>Segment liabilities</b>	91,311	21,651	112,962	29,545	142,507

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (c) Geographical information

The Group's operations are located on Japan and Europe.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets other than financial instruments and deferred tax assets is presented based on the geographical location of the assets.

	Six months ended 30 September 2020		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment revenue from external customers</b>	<b>45,255</b>	<b>737</b>	<b>45,992</b>

	As at 30 September 2020		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment non-current assets other than financial instruments and deferred tax assets</b>	<b>164,801</b>	<b>16,175</b>	<b>180,976</b>

	Six months ended 30 September 2019		
	Japan ¥ million (unaudited) (restated)	Europe ¥ million (unaudited) (restated)	Total ¥ million (unaudited) (restated)
<b>Segment revenue from external customers</b>	<b>73,970</b>	<b>82</b>	<b>74,052</b>

	As at 31 March 2020		
	Japan ¥ million (unaudited) (restated)	Europe ¥ million (unaudited) (restated)	Total ¥ million (unaudited) (restated)
<b>Segment non-current assets other than financial instruments and deferred tax assets</b>	<b>168,638</b>	<b>17,000</b>	<b>185,638</b>

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### *(d) Information about major customers*

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

## 6. PACHINKO BUSINESS EXPENSES

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited)
Advertising expenses	882	1,697
Cleaning and ancillary services	1,578	1,903
Depreciation expenses	4,701	5,014
Hall staff costs	21,639	24,536
Pachinko and pachislot machine expenses	5,693	13,174
Depreciation expenses of right-of-use assets	5,086	5,120
Rental expenses	39	87
Repair and maintenance expenses	885	1,667
Utilities expenses	2,544	3,062
Others	3,349	4,874
	<b>46,396</b>	61,134

## 7. AIRCRAFT LEASING EXPENSES

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited) (restated)
Depreciation expenses	302	32
Amortisation expenses	54	5
Others	88	49
	<b>444</b>	86

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 8. OTHER INCOME

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited) (restated)
Commission from vending machines and in-store sales	1,432	2,415
Income from forfeiture of customer's membership cards	71	105
Income from catering services	146	481
Sales revenue from property held for sale	–	26
Revenue from finance leases	40	334
Net gains on disposals of used machines	51	142
Rental income	307	324
Government grants	3,225	–
Others	870	542
	<b>6,142</b>	<b>4,369</b>

## 9. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited) (restated)
Disposal cost of non-financial assets	40	143
Impairment loss of non-financial assets	35	311
Cost of sales of property held for sale	–	5
Cost of sales of finance leases	19	107
Rental expenses	63	75
Others	274	179
	<b>431</b>	<b>820</b>



## 10. FINANCE INCOME

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited)
Bank interest income	13	117
Finance leases interest income	87	81
Dividend income	15	18
Others	39	70
	<b>154</b>	286

## 11. FINANCE EXPENSES

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited)
Interest expenses	252	40
Amortisation of syndicated bank loan charges	32	42
Foreign exchange loss, net	143	97
Interest on lease liabilities	989	957
Others	42	42
	<b>1,458</b>	1,178

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 12. INCOME TAXES

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

	Six months ended 30 September	
	2020	2019
	¥ million	¥ million
	(unaudited)	(unaudited)
Current taxes	338	4,657
Deferred taxes	450	(203)
	<b>788</b>	<b>4,454</b>

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group did not acquire aircraft (2019: ¥4,632 million) related to the aircraft leasing business.

As a result, during the six months ended 30 September 2020, the Group acquired property, plant and equipment of ¥1,155 million (2019: ¥7,892 million).

## 14. CAPITAL COMMITMENTS

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

	At	At
	30 September	31 March
	2020	2020
	¥ million	¥ million
	(unaudited)	(audited)
Capital commitment for purchase of property, plant and equipment	50	55
	<b>50</b>	<b>55</b>

## 15. TRADE RECEIVABLES

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

	<b>At 30 September 2020 ¥ million (unaudited)</b>	<b>At 31 March 2020 ¥ million (audited)</b>
1 to 30 days	<b>376</b>	525
31 to 60 days	<b>14</b>	15
Over 60 days	<b>6</b>	14
	<b>396</b>	554

## 16. TRADE AND OTHER PAYABLES

	<b>At 30 September 2020 ¥ million (unaudited)</b>	<b>At 31 March 2020 ¥ million (audited)</b>
Trade payables	<b>1,130</b>	1,238
Halls construction and system payables	<b>583</b>	1,129
Other tax expenses	<b>4,924</b>	3,190
Pachinko and pachislot machine payables	<b>974</b>	1,108
Accrued staff costs	<b>5,767</b>	6,363
Advertisement and promotions	<b>124</b>	191
Housing rent	<b>204</b>	213
Others	<b>781</b>	1,369
	<b>14,487</b>	14,801

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 16. TRADE AND OTHER PAYABLES *(Continued)*

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

	At 30 September 2020 ¥ million (unaudited)	At 31 March 2020 ¥ million (audited)
1 to 30 days	1,083	1,187
31 to 60 days	5	–
Over 60 days	42	51
	<b>1,130</b>	1,238

## 17. TREASURY SHARES

Changes of the Company's treasury shares for the six months ended 30 September 2020 are as follows:

	Note	Number of ordinary share (unaudited)	¥ million (unaudited)
At 31 March 2020 and 1 April 2020		–	–
Increase in treasury shares	(i)	6,951,600	755
Decrease in treasury shares	(ii)	6,612,600	718
At 30 September 2020		339,000	37

Notes:

**(i) The increase of 6,951,600 treasury shares consists of:**

6,951,600 shares acquired as treasury shares subject to Article 156 (replacement of the third paragraph of Article 165) of the Company Law of Japan (the Japan Company Law).

The Company held the general meeting on 24 June 2020 where the general mandate to repurchase shares of the Company was granted within the range of 76,598,589 shares.

**(ii) The decrease of 6,612,600 treasury shares is due to the cancellation of shares subject to Article 178 of the Japan Company Law.**

The Listing Rules of the Stock Exchange of Hong Kong provide that the listing of all repurchased Shares shall be automatically cancelled upon repurchase and the certificates of such repurchased Shares must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. Hence, in compliance with Rule 10.06(5) of the Listing Rules, all repurchased shares will be cancelled without undue delay and the certificates for those securities will be cancelled and destroyed. The issued shares and capital reserve of the Company shall also be reduced accordingly.

## 18. DIVIDENDS

During the six months ended 30 September 2020 and 2019, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

Dividends declared and paid/payable to its shareholders by:	Six months ended 30 September		2019	
	2020	Total	Dividend per	Total Dividends
	Dividend per share	Dividends	share	¥ million
	¥	¥ million (unaudited)	¥	¥ million (unaudited)
Final dividend paid	3.00	2,298	6.00	4,596
		2,298		4,596

On 25 November 2020, the Board of Directors declared an interim dividend of ¥3.00 per ordinary share of the Company, which is payable on 13 January 2021 to the shareholders of the Company.

## 19. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	¥ million (unaudited)	¥ million (unaudited)
Earnings for the purpose of calculating basic earnings per share	698	8,691
Weighted average number of shares	764,703,659	765,985,896
Basic earnings per share (¥)	0.91	11.35

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2020 and 2019 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2020 and 2019.

# Definitions

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

“Beijing GEO” 北京 GEO	Beijing GEO Coffee Co., Ltd., a company incorporated in the People’s Republic of China with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
“Business Partners” ビジネスパートナーズ	Business Partners Co., Ltd., a stock company incorporated in Japan with limited liability. Business Partners is a wholly-owned subsidiary of the Company
“Cabin Plaza” キャビンプラザ	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
“Director(s)” 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 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)” 一般財団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
“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
“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
“P Insurance” ピーインシュアランス	P Insurance Co., Ltd., a stock company incorporated in Japan with limited liability. P Insurance is held as to 100% by the Company through Dynam Business Support
“Rich-O” リッチオ	Rich-O Co., Ltd., a stock company incorporated in Japan with limited liability
“Rich-O Korea” リッチオ코리아	Rich-O Korea Co., Ltd., a company incorporated with limited liability in South Korea. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
“SAC” SAC	Sato Aviation Capital Limited, a company incorporated in Hong Kong with limited liability, being held as to 100% by Mr. Yoji SATO
“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



**DYNAM JAPAN HOLDINGS Co., Ltd.\***

