DYJH

Annual Report 2021

DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)
Stock Code: 06889

* For identification purpose only

DYNAM JAPAN HOLDINGS Co., Ltd.

Annual Report 2021

Contents

BOARD OF DIRECTORS

Executive Director	Makoto SAKAMOTO *(Chairman and the Board, President and Chief Executive Officer)*
Non-executive Directors	Yoji SATO *(Senior Corporate Advisor of the Board)* Kohei SATO *(Corporate Advisor of the Board)* Akira HOSAKA
Independent Non-executive Directors	Mitsutoshi KATO Thomas Chun Kee YIP Kei MURAYAMA Kiyohito KANDA Koji KATO

COMMITTEES

Audit Committee	Kiyohito KANDA *(Chairman)* Thomas Chun Kee YIP Koji KATO
Remuneration Committee	Mitsutoshi KATO *(Chairman)* Kei MURAYAMA Makoto SAKAMOTO
Nomination Committee	Mitsutoshi KATO *(Chairman)* Kei MURAYAMA Makoto SAKAMOTO

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

Financial and Operational Highlights

Summary of Financial Performance
Year ended 31 March

	2021 ¥	2021 HK$	2020 ¥	2020 HK$	2019 ¥	2018 ¥	2017 ¥
	Year ended 31 March (in millions)						
Gross pay-ins	**475,163**	**33,368**	732,862	52,235	768,857	775,060	817,777
Less: gross payouts	**(378,022)**	**(26,546)**	(590,943)	(42,120)	(622,486)	(622,968)	(660,908)
Revenue from pachinko business	**97,141**	**6,822**	141,919	10,115	146,371	152,092	156,869
Revenue from aircraft leasing business	**1,461**	**103**	564	40	–	–	–
Revenue	**98,602**	**6,925**	142,483	10,155	146,371	152,092	156,869
Pachinko business expenses	**(96,673)**	**(6,789)**	(121,912)	(8,689)	(128,024)	(136,727)	(142,142)
Aircraft leasing expenses	**(891)**	**(63)**	(399)	(28)	–	–	–
General and administrative expenses	**(4,340)**	**(305)**	(5,020)	(358)	(5,023)	(5,049)	(5,622)
Other income	**11,561**	**812**	8,446	602	8,971	9,458	9,224
Other operating expenses	**(1,531)**	**(108)**	(2,084)	(149)	(2,953)	(2,425)	(2,430)
Operating profit	**6,728**	**472**	21,514	1,533	19,342	17,349	15,899
Finance income	**286**	**20**	461	33	471	236	233
Finance expenses	**(2,672)**	**(187)**	(2,469)	(176)	(444)	(781)	(1,307)
Profit before income taxes	**4,342**	**305**	19,506	1,390	19,369	16,804	14,825
Income taxes	**(1,991)**	**(140)**	(6,759)	(482)	(6,778)	(5,879)	(5,520)
Net profit for the year	**2,351**	**165**	12,747	908	12,591	10,925	9,305
Net profit attributable to:							
Owners of the Company	**2,363**	**166**	12,748	908	12,596	10,870	9,360
Non-controlling interests	**(12)**	**(1)**	(1)	0	(5)	55	(55)
Net profit for the year	**2,351**	**165**	12,747	908	12,591	10,925	9,305
Earnings per share							
Basic	**¥3.1**	**HK$0.2**	¥16.6	HK$1	¥16.4	¥14.2	¥12.2
Diluted	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A
EBITDA(*)	**16,781**	**1,178**	31,151	2,363	31,136	29,524	28,469

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

SUMMARY OF FINANCIAL PERFORMANCE

As at 31 March

(in millions)

	2021		2020		2019	2018	2017
	¥	**HK$**	¥	HK$	¥	¥	¥
Non-current assets	**209,283**	**14,697**	221,441	15,783	125,457	131,826	142,043
Current assets	**91,790**	**6,446**	55,798	3,977	59,875	53,145	63,072
Current liabilities	**59,812**	**4,200**	44,028	3,138	36,452	39,643	38,496
Net current assets	**31,978**	**2,246**	11,770	839	23,423	13,502	24,576
Total assets less current liabilities	**241,261**	**16,943**	233,211	16,622	148,880	145,328	166,619
Non-current liabilities	**109,289**	**7,675**	98,479	7,018	7,080	7,813	29,738
Total equity	**131,972**	**9,268**	134,732	9,604	141,800	137,515	136,881

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

Previously, revenue 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 consolidated statement of profit or loss respectively. During the year ended 31 March 2021, the revenue and cost related to the aircraft leasing business were increased due to the scale of the expansion of the business activity. From the year ended 31 March 2021, revenue from aircraft leasing business has been presented separately as “Revenue from aircraft leasing business” and cost of the aircraft leasing business has been presented separately as “Aircraft leasing expenses”. In addition, pachinko business expenses, which was previously disclosed as “Hall operating expenses” for the year ended 31 March 2020, have been presented as “Pachinko business expenses” from the year ended 31 March 2021.

To reflect these changes in the presentation method, “Other income” of ¥564 million was restated in “Revenue from aircraft leasing business” and “Other operating expenses” of ¥399 million was restated in “Aircraft leasing expenses” respectively for the year ended 31 March 2020.

The change in the presentation method has no impacts on the operating profit and net profit for the years ended 31 March 2020 and 2021.

CURRENCY TRANSLATIONS

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

1. ¥14.24 to HK$1.00, the exchange rate prevailing on 31 March 2021 (i.e. the last business day in March 2021).
2. ¥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.

Summary of Financial Performance
Year ended 31 March

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

	For the year ended 31 March				
	2021		2020		changes[3]
	(in millions, except for percentages)				
	¥	**HK$[1]**	¥	HK$[2]	%
Gross pay-ins					
— High playing cost halls	**263,337**	**18,493**	410,270	29,242	–35.8%
— Low playing cost halls	**211,826**	**14,875**	322,592	22,993	–34.3%
Total gross pay-ins	**475,163**	**33,368**	732,862	52,235	–35.2%
Gross payouts					
— High playing cost halls	**215,682**	**15,146**	340,651	24,280	–36.7%
— Low playing cost halls	**162,340**	**11,400**	250,292	17,840	–35.1%
Total gross payouts	**378,022**	**26,546**	590,943	42,120	–36.0%
Revenue from pachinko business					
— High playing cost halls	**47,655**	**3,347**	69,619	4,962	–31.5%
— Low playing cost halls	**49,486**	**3,475**	72,300	5,153	–31.6%
Total revenue from pachinko business	**97,141**	**6,822**	141,919	10,115	–31.6%
Revenue from aircraft leasing business	**1,461**	**103**	564	40	159.0%
Total revenue	**98,602**	**6,925**	142,483	10,155	–30.8%

(1) Translated into Hong Kong dollars at the rate of ¥14.24 to HK$1.00, the exchange rate prevailing on 31 March 2021(i.e. the last business day in March 2021).
(2) 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).
(3) The increase and decrease referred to the changes in respect of the Japanese yen amounts but not the translated amounts in Hong Kong dollars.

The consolidated financial results of the Group for the year ended 31 March 2021 were as follows;

Consolidated revenue from the pachinko business and the aircraft leasing business was ¥98,602 million (equivalent to approximately HK$6,925 million), 69.2% of the previous year. Consolidated operating profit was ¥6,768 million (equivalent to approximately HK$472 million), 31.5% of the previous year. Consolidated net profit for the year was ¥2,351 million (equivalent to approximately HK$165 million), 18.4% of the previous year. Consolidated revenue and net profit for the year ended 31 March 2021 decreased significantly from the previous year.

■ 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 consolidated statement of profit or loss respectively. During the year ended 31 March 2021, 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 year ended 31 March 2021, 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 year ended 31 March 2020, have been presented as "Pachinko business expenses" from the year ended 31 March 2021.

To reflect these changes in the presentation method, "Other income" of ¥564 million was restated in "Revenue from aircraft leasing business" and "Other operating expenses" of ¥399 million was restated in "Aircraft leasing expenses" respectively for the year ended 31 March 2020.

The change in the presentation method has no impacts on the operating profit and net profit for the year ended 31 March 2020 and 2021.

PACHINKO BUSINESS

Since April 2020, due to the spread of novel coronavirus infection, the Japanese government has declared a state of emergency, and prefectures have requested various industries to suspend their operation. Similar request is made to pachinko halls, which is the core business of the Group. As a result, 436 halls (about 97%) were temporarily forced to close.

The Group immediately set up a Crisis Management Committee to address the issues to manage information sharing and analysis, and the planning and implementation of countermeasures. Specifically, as infection prevention measures, the Group is implementing temperature measurement before going to work for all employees and carrying out remote work for headquarters' employees. At pachinko halls, the Group is installing thermometers, ventilation system and partitions.

After taking these measures, all pachinko halls have resumed operations since June 2020. However, operating revenue after July 2020 has only recovered to 70% to 80% of the previous year's level. Although the Group secured a surplus in the fiscal year ended 31 March 2021, we cannot say that the novel coronavirus impact has ended.

Under such circumstances, the pachinko business is expected to recover moderately after June 2021, but it will be difficult to recover to the level of the year before the outbreak of novel coronavirus during this term, and the consolidated operating revenue will be higher than the previous year (before the outbreak of novel coronavirus). It is assumed that the level will remain at 80%. The Group will continue to review the cost structure of the Group and promote reforms to a management system that can generate profits even if the consolidated operating revenue is at the level of 80% compared to the previous fiscal year.

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

Summary of Financial Performance
Year ended 31 March

GROSS PAY-INS

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

Our total gross pay-ins decreased by ¥257,699 million (equivalent to approximately HK$18,097 million*), or 35.2%*, from ¥732,862 million (equivalent to approximately HK$52,235 million) for the year ended 31 March 2020 to ¥475,163 million (equivalent to approximately HK$33,368 million) for the year ended 31 March 2021.

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

Gross pay-ins for high playing cost halls decreased by ¥146,933 million (equivalent to approximately HK$10,318 million*), or 35.8%*, from ¥410,270 million (equivalent to approximately HK$29,242 million) for the year ended 31 March 2020 to ¥263,337 million (equivalent to approximately HK$18,493 million) for the year ended 31 March 2021.

Gross pay-ins for low playing cost halls decreased by ¥110,766 million (equivalent to approximately HK$7,779 million*), or 34.3%*, from ¥322,592 million (equivalent to approximately HK$22,993 million) for the year ended 31 March 2020 to ¥211,826 million (equivalent to approximately HK$14,875 million) for the year ended 31 March 2021.

GROSS PAYOUTS

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

Our total gross payouts decreased by ¥212,921 million (equivalent to approximately HK$14,952 million*), or 36.0%*, from ¥590,943 million (equivalent to approximately HK$42,120 million) for the year ended 31 March 2020 to ¥378,022 million (equivalent to approximately HK$26,546 million) for the year ended 31 March 2021.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥124,969 million (equivalent to approximately HK$8,776 million*), or 36.7%*, from ¥340,651 million (equivalent to approximately HK$24,280 million) for the year ended 31 March 2020 to ¥215,682 million (equivalent to approximately HK$15,146 million) for the year ended 31 March 2021. The decrease was primarily due to the decrease in gross pay-ins.

Gross payouts for low playing cost halls decreased by ¥87,952 million (equivalent to approximately HK$6,176 million*), or 35.1%*, from ¥250,292 million (equivalent to approximately HK$17,840 million) for the year ended 31 March 2020 to ¥162,340 million (equivalent to approximately HK$11,400 million) for the year ended 31 March 2021. The decrease was primarily due to the decrease in gross pay-ins.

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 from pachinko business represents revenue from pachinko business divided by gross pay-ins.

Our revenue decreased by ¥44,778 million (equivalent to approximately HK$3,145 million*), or 31.6%*, from ¥141,919 million (equivalent to approximately HK$10,115 million) for the year ended 31 March 2020 to ¥97,141 million (equivalent to approximately HK$6,822 million) for the year ended 31 March 2021.

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

Revenue from pachinko business for high playing cost halls decreased by ¥21,964 million (equivalent to approximately HK$1,542 million*), or 31.5%*, from ¥69,619 million (equivalent to approximately HK$4,962 million) for the year ended 31 March 2020 to ¥47,655 million (equivalent to approximately HK$3,347 million) for the year ended 31 March 2021. The revenue margin for the year ended 31 March 2021 increased by 1.1 points to 18.1% year-on-year, reflecting decreased ratio of gross payouts to gross pay-ins.

Revenue from pachinko business for low playing cost halls decreased by ¥22,814 million (equivalent to approximately HK$1,602 million*), or 31.6%*, from ¥72,300 million (equivalent to approximately HK$5,153 million) for the year ended 31 March 2020 to ¥49,486 million (equivalent to approximately HK$3,475 million) for the year ended 31 March 2021. The revenue margin for the year ended 31 March 2021 increased by 1.0 points to 23.4% year-on-year, reflecting decreased ratio of gross payouts to gross pay-ins.

PACHINKO BUSINESS EXPENSES

Pachinko business expenses for the year ended 31 March 2021 was ¥96,673 million (equivalent to approximately HK$6,789 million), recording a decrease by ¥25,239 million (equivalent to approximately HK$1,772 million*), or 20.7%* as compared to the previous fiscal year of ¥121,912 million (equivalent to approximately HK$8,689 million).

Our Pachinko business expenses by hall type are as follows.

Pachinko business expenses for high playing cost halls decreased by ¥10,115 million (equivalent to approximately HK$710 million*), or 18.6%*, from ¥54,522 million (equivalent to approximately HK$3,886 million) for the year ended 31 March 2020 to ¥44,407 million (equivalent to approximately HK$3,118 million) for the year ended 31 March 2021.

Pachinko business expenses for low playing cost halls decreased by ¥15,124 million (equivalent to approximately HK$1,062 million*), or 22.4%*, from ¥67,390 million (equivalent to approximately HK$4,803 million) for the year ended 31 March 2020 to ¥52,266 million (equivalent to approximately HK$3,670 million) for the year ended 31 March 2021.

AIRCRAFT LEASING BUSINESS

The business environment of the aircraft leasing industry as a whole for the year ended 31 March 2021 has continued to operate under a severe business environment. Aircraft operations are suspended around the world due to the spread of the novel coronavirus infection, and around the world leasing companies are requested to defer leasing fees.

Under such business environment, the Group refrained from purchasing new aircrafts during the year ended 31 March 2021, 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 year ended 31 March 2021, 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 2.2 years, and average remaining lease period is as long as 4.5 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 the year ended 31 March 2021.

Summary of Financial Performance
Year ended 31 March

REVENUE FROM AIRCRAFT LEASING BUSINESS

Revenue from aircraft leasing business increased by ¥897 million (equivalent to approximately HK$63 million*), or 159.0%*, from ¥564 million (equivalent to approximately HK$40 million) for the year ended 31 March 2020 to ¥1,461 million (equivalent to approximately HK$103 million) for the year ended 31 March 2021.

The increase of revenue from aircraft leasing business was due primarily to three aircrafts recorded aircraft leasing revenue throughout the fiscal year ended 31 March 2021.

AIRCRAFT LEASING EXPENSES

Aircraft leasing expenses increased by ¥492 million (equivalent to approximately HK$35 million*), or 123.3%*, from ¥399 million (equivalent to approximately HK$28 million) for the year ended 31 March 2020 to ¥891 million (equivalent to approximately HK$63 million) for the year ended 31 March 2021.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥680 million (equivalent to approximately HK$48 million*), or 13.5%*, from ¥5,020 million (equivalent to approximately HK$358 million) for the year ended 31 March 2020 to ¥4,340 million (equivalent to approximately HK$305 million) for the year ended 31 March 2021.

OTHER INCOME

Other income increased by ¥3,115 million (equivalent to approximately HK$219 million*), or 36.9%*, from ¥8,446 million (equivalent to approximately HK$602 million) for the year ended 31 March 2020 to ¥11,561 million (equivalent to approximately HK$812 million) for the year ended 31 March 2021. The main reason for the increase is receiving of the government grants.

OTHER OPERATING EXPENSES

Other operating expenses decreased by ¥553 million (equivalent to approximately HK$39 million*), or 26.5%*, from ¥2,084 million (equivalent to approximately HK$149 million) for the year ended 31 March 2020 to ¥1,531 million (equivalent to approximately HK$108 million) for the year ended 31 March 2021.

FINANCE INCOME

Finance income decreased by ¥175 million (equivalent to approximately HK$12 million*), or 38.0%*, from ¥461 million (equivalent to approximately HK$33 million) for the year ended 31 March 2020 to ¥286 million (equivalent to approximately HK$20 million) for the year ended 31 March 2021. The main reason of the decrease is the decrease of interest income.

FINANCE EXPENSES

Finance expenses increased by ¥203 million (equivalent to approximately HK$14 million*), or 8.2%*, from ¥2,469 million (equivalent to approximately HK$176 million) for the year ended 31 March 2020 to ¥2,672 million (equivalent to approximately HK$187million) for the year ended 31 March 2021. The main reason of the increase is the increase of interest expenses of the bank borrowings.

EVENTS AFTER THE REPORTING PERIOD

The details to events after the reporting period are provided in note 53 to the consolidated financial statements of this annual report.

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

CASH FLOW

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

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

	For the year ended 31 March			
	2021		2020	
				(in millions)
	¥	**HK$(1)**	¥	HK$(2)
Net cash generated from operating activities	**29,441**	**2,067**	30,071	2,143
Net cash used in investing activities	**(1,188)**	**(83)**	(25,951)	(1,850)
Net cash used in financing activities	**4,457**	**313**	(9,601)	(684)
Effects of exchange rate changes on cash and cash equivalents	**141**	**10**	(246)	(17)
Net increase/(decrease) in cash and cash equivalents	**32,851**	**2,307**	(5,727)	(408)
Cash and cash equivalents at beginning of year	**41,810**	**2,936**	47,537	3,388
Cash and cash equivalents at end of year	**74,661**	**5,243**	41,810	2,980

Net cash generated from operating activities

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

	For the year ended 31 March			
	2021		2020	
				(in millions)
	¥	**HK$(1)**	¥	HK$(2)
Operating profit before working capital changes	**27,553**	**1,935**	44,369	3,162
Change in working capital — (used in)	**3,357**	**236**	(4,821)	(344)
Cash generated from operations	**30,910**	**2,171**	39,548	2,818
Income taxes refund/(paid)	**939**	**66**	(7,440)	(530)
Finance expenses paid	**(2,408)**	**(169)**	(2,037)	(145)
Net cash generated from operating activities	**29,441**	**2,068**	30,071	2,143

(1) Translated into Hong Kong dollars at the rate of ¥14.24 to HK$1.00, the exchange rate prevailing on 31 March 2021 (i.e. the last business day in March 2021).

(2) 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).

Summary of Financial Performance
Year ended 31 March

Net cash generated from operation activities

Our net cash generated from operating activities was ¥29,441 million (equivalent to approximately HK$2,067 million) for the year ended 31 March 2021 as compared to ¥30,071 million (equivalent to approximately HK$2,143 million) for the year ended 31 March 2020.

Net cash from/(used in) investing activities

Our net 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, aircrafts and construction in progress.

Net cash used in investing activities was ¥25,951 million (equivalent to approximately HK$1,850 million) and ¥1,188 million (equivalent to approximately HK$83 million) for the years ended 31 March 2020 and 2021, respectively.

Net cash used in investing activities significantly decreased as a result of curbing investment activities such as the acquisition of fixed assets considering the effects of spreading novel coronavirus (COVID-19) infection.

Net cash used in financing activities

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

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

For the year ended 31 March 2020, net cash used in financing activities was ¥9,601 million (equivalent to approximately HK$684 million) and net cash generated from financing activities was ¥4,457 million (equivalent to approximately HK$313 million) for the year ended 31 March 2021.

The cash outflow for the year ended 31 March 2021 was primarily due to the repayment of lease liabilities in the amount of ¥10,051 million (approximately HK$706 million), and bank loans in the amount of ¥12,963 million (equivalent to approximately HK$910 million), and dividend payment in the amount of ¥4,576 million (equivalent to approximately HK$321 million) respectively. The cash inflow for the year ended 31 March 2021 was primarily due to the bank loans raised amounted to ¥33,484 million (equivalent to approximately HK$2,351 million).

LIQUIDITY

Net Current Assets and Working Capital Sufficiency

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

	31 March 2021		31 March 2020	
				(in millions)
	¥	**HK$[1]**	¥	HK$[2]
Current assets				
Inventories	**5,080**	**357**	3,378	241
Trade receivables	**361**	**25**	554	40
Lease receivables	**2,007**	**141**	2,137	152
Prizes in operation of pachinko halls	**3,685**	**259**	4,574	326
Income tax receivables	**3,172**	**223**	1,894	135
Other current assets	**2,824**	**198**	1,451	104
Cash and cash equivalents	**74,661**	**5,243**	41,810	2,980
	91,790	**6,446**	55,798	3,977
Current liabilities				
Trade and other payables	**19,997**	**1,404**	14,801	1,055
Borrowings	**11,380**	**799**	3,008	214
Lease liabilities	**12,040**	**846**	12,185	869
Provisions	**1,653**	**116**	2,054	146
Income taxes payables	**6,215**	**436**	3,301	235
Other current liabilities	**8,527**	**599**	8,679	619
	59,812	**4,200**	44,028	3,138
Net current assets	**31,978**	**2,246**	11,770	839

(1) Translated into Hong Kong dollars at the rate of ¥14.24 to HK$1.00, the exchange rate prevailing on 31 March 2021 (i.e. the last business day in March 2021).

(2) 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 2021, our net current assets totaled ¥11,770 million (equivalent to approximately HK$839 million) and ¥31,978 million (equivalent to approximately HK$2,246 million), respectively, and our current ratio was 1.3 and 1.5, respectively.

Summary of Financial Performance
Year ended 31 March

Gearing ratio

The gearing ratio is an indicator of our capital structure, which is calculated as total borrowings divided by total assets. Total borrowings comprised long and short-term bank borrowings. The gearing ratio increased from 4.8% as at 31 March 2020 to 11.3% as at 31 March 2021, primarily due to the increase in total borrowings.

Capital expenditures

Our capital expenditures were primarily related to the enhancement of our competitiveness through the construction of new halls, and entering aircraft business.

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. Our capital expenditures for the years ended 31 March 2020 and 2021 were ¥23,366 million (equivalent to approximately HK$1,665 million) and ¥1,605 million (equivalent to approximately HK$113 million), respectively.

AIRCRAFT LEASING BUSINESS

For the year ended 31 March 2021, the Group didn't acquire new aircraft related to the aircraft leasing business.

As a result, for the year ended 31 March 2021, the Group acquired property, plant and equipment of ¥1,605 million (equivalent to approximately HK$113 million) (2020: ¥23,366 million (equivalent to approximately HK$1,665 million)).

The details to capital expenditure are provided in note 23 to the consolidated financial statements of this annual report.

Inventories

Our total inventories increased from ¥3,378 million (equivalent to approximately HK$241 million) as at 31 March 2020 to ¥5,080 million (equivalent to approximately HK$357 million) as at 31 March 2021. The increase was primarily due to the increase in stored goods of ¥1,790 million (equivalent to approximately HK$126 million).

The details to inventories are provided in note 30 to the consolidated financial statements of this annual report.

Prizes in operation of pachinko halls

Our total prizes in operation of pachinko halls decreased from ¥4,574 million (equivalent to approximately HK$326 million) as at 31 March 2020 to ¥3,685 million (equivalent to approximately HK$259 million) as at 31 March 2021. The decrease was primarily attributable to the decrease in G-prize of ¥789 million (equivalent to approximately HK$55 million) and the decrease in general prize of ¥100 million (equivalent to approximately HK$7 million).

The details to prizes in operation of pachinko halls are provided in note 31 to the consolidated financial statements of this annual report.

PLEDGE OF ASSETS

As at 31 March 2021, certain property, plant, and equipment which amounted to ¥16,125 million (equivalent to approximately HK$1,132 million) was pledged as securities for the bank borrowings.

For the relevant information, please refer to note 35 to the consolidated financial statements of this annual report.

CONTINGENT LIABILITIES

As at 31 March 2021, we had no material contingent liabilities.

CAPITAL COMMITMENTS

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

ACQUISITION AND DISPOSAL

For the year ended 31 March 2021, there was no material acquisition and disposal of any of our subsidiaries.

SIGNIFICANT INVESTMENTS

During the year ended 31 March 2021, our significant investments consist primarily of new halls opened and purchase of aircrafts for aircraft leasing business. The Group did not have any significant investments for the year ended 31 March 2021.

PACHINKO BUSINESS

Save for the capital expenditure of pachinko business, set out in capital expenditure. The Group did not have any significant investments for the year ended 31 March 2021.

AIRCRAFT LEASING BUSINESS

The Group did not have any significant investments for the year ended 31 March 2021. The details of purchase of aircrafts are provided in "Management Discussion & Analysis" of this annual report.

EMPLOYEES

As at 31 March 2021, the Group had approximately 16,104 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 housing fund schemes and discretionary incentive. The employee remuneration incurred for the year ended 31 March 2021 was ¥48,523 million (equivalent to approximately HK$3,408 million).

CAPITAL STRUCTURE

Principal sources of funds

Our principal sources of funds are cash generated from our operations, 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 of our bank borrowings, fund our capital expenditures and the growth and expansion of our operations.

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

Indebtedness

On 31 August 2020, Dynam entered into bank borrowing contracts in an amount of ¥9,000 million (equivalent to approximately HK$632 million) with borrowing date on 1 December 2020 and ¥6,000 million (equivalent to approximately HK$421 million) with borrowing date on 1 February 2021 respectively for the purpose of ensuring management safety in preparation for a decline in business performance due to the spread of the novel coronavirus (COVID-19) infection.

Our short-term and long-term borrowings outstanding as at 31 March 2021 were ¥11,380 million (equivalent to approximately HK$799 million) and ¥22,587 million (equivalent to approximately HK$1,586 million), respectively.

The borrowings as at 31 March 2021 include short-term borrowings of ¥1,150 million (equivalent to approximately HK$81 million) and long-term borrowings of ¥9,188 million (equivalent to approximately HK$645 million) related to aircraft leasing business. These borrowings are non-recourse loans which resource of repayments 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 to reduce the risk associated with the borrowings.

The details to borrowings are provided in note 35 to the consolidated financial statements of this annual report.

Loan facilities

At as 31 March 2021, we had a total amount of approximately ¥34,000 million (equivalent to approximately HK$2,388 million) of banking facilities and an installment facility available to us, of which approximately ¥29,882 million (equivalent to approximately HK$2,098 million) was unutilized.

The overview of our loan facilities is as follows.

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

Summary of Financial Performance
Year ended 31 March

This commitment line provides a revolving loan facility in an amount of up to ¥15,000 million (equivalent to approximately HK$1,053 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 contract, to 31 March 2024.

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 a new commitment line contract with Aozora Bank in an amount of ¥3,000 million (equivalent to approximately HK$211 million). The commitment line contract is available for the period from the execution date of the contract to 31 August 2021.

Borrowings under the commitment line contract bear interest at the rate of 0.25% per annum on top of the interest rate for the corresponding loan term published by the Japanese Bankers Association for euroyen TIBOR* (Tokyo Interbank Offered Rate), subject to adjustment from time to time.

On 30 September 2020, Dynam also entered into a new installment facility contract with a syndicate of leasing companies in an amount of up to ¥15,000 million (equivalent to approximately HK$1,053 million) for the purpose of procurement of pachinko and pachislot machines. The loan facility is available for one year period from the execution date of the contract.

FINANCIAL RISK

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

MARKET RISKS

Foreign currency risk

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

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

Price risk

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

Interest rate risk

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

CREDIT RISK

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

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

In order to minimise credit risk, management 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 receivables and finance lease receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable receivables. In this regard, management considers that the Group's credit risk is significantly reduced.

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

LIQUIDITY RISK

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

We will continue to create more value for "making pachinko into a daily entertainment that everyone can enjoy freely,"

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

Regarding the financial results for the fiscal year ended March 2020, the environment was harsh due to the spread of the novel coronavirus infections, but the cooperation of all the trusted associates, mainly customers, who understood the infection prevention measures. And, as all the employees of the Group worked together to overcome this difficult situation, we ended up with operating income of ¥6.7 billion and net income of ¥2.3 billion.

Looking back over the past year, the pachinko industry as a whole was hit by the first state of emergency declared in April 2020 due to the nationwide spread of the novel coronavirus, and the first state of emergency in seven prefectures. Although it was a declaration, it has since been expanded nationwide, and we have cooperated in refraining from doing business, such as suspending operation measures in response to requests for close from the national and prefectural governments. From the end of May 2020, when the state of emergency was lifted, the industry has created its own infection prevention guidelines and has endeavored to realize a safe and secure gaming environment by thoroughly implementing measures to prevent infection with the novel coronavirus.

In response to the state of emergency, the Group has also cooperated in refraining from business, such as taking leave of absence. In particular, during the Golden Week period from late April to early May 2020, about 97% of 436 halls out of 448 halls were closed. However, on 1 June 2020, all halls resumed operations. We overcame the second and third waves, but in January 2021 we reached the peak of the third wave and the second state of emergency was declared. But industry groups and hall operators have also thoroughly implemented measures to prevent infection with the novel coronavirus. Therefore, we did not receive a request for operation suspension from the national and prefectural governments.

As a result of such efforts, both the Group and customers' visits are on a recovery trend, and now it has returned to about 70% of the number before the novel coronavirus infection, but the Group's customers are especially seniors, and many halls are located in rural or suburban areas, so compared to the industry average, customer returns tend to be a little slower. However, I think that if vaccination progresses in the future, it will come back little by little.

So far, no clusters of the novel coronavirus infections have occurred in pachinko halls nationwide over the past year. Therefore, by continuing to thoroughly implement infection prevention measures, we will build a relationship of trust with our customers by giving them a sense of security that the risk of infection is low even if they go to pachinko halls. I think it is important to keep going.

Regarding the Aircraft Lease Business, we are refraining from aggressively developing the business due to the corona wreck, but we have secured the same profits as last year.

As the Group, I feel that having discovered new awareness and various issues through the novel coronavirus over the past year has been a valuable experience that will lead to the future. It will not change in the future, "We will reform pachinko into everyday entertainment' that anyone can easily enjoy. And we will become an indispensable presence in the area where it is said that the DYNAM Pachinko hall was good." We will continue to create further value with the aim of achieving. We ask for your continued understanding and support.

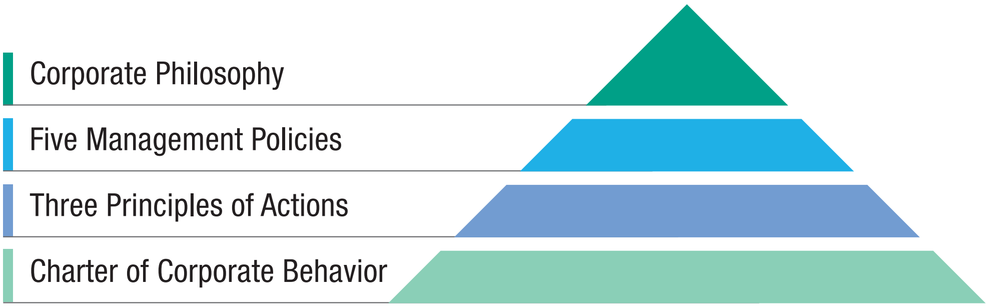
Chairman of the board and Chief Executive Officer

Makoto SAKAMOTO

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

Philosophy Structure

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



A Centurial Commitment to Building Trust and Encouraging Dreams

A company cannot exist unless it consistently fulfills the responsibilities it has towards its employees, Shareholders, financial institutions, business partners and other stakeholders, while at the same time it supports and contributes to customers and local residents.
A company is expected to improve the daily lives of its stakeholders. It must also create a world in which all people are united in trust and able to live in peace.
This corporate philosophy represents the spirit in which people and organizations that are united in trust continuously strive to achieve sustainable growth by using their collective energy to achieve their dreams. The term “centurial” that is used in our corporate philosophy refers to the long term.
The Group maintains a long-term commitment to building trust and encouraging dreams.

Five Management Policies

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

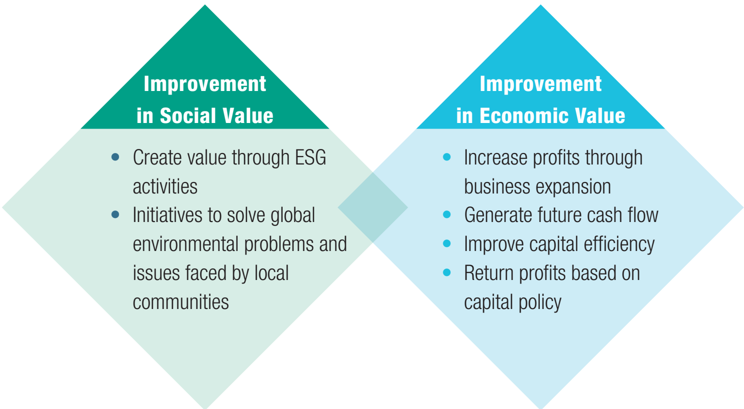
Three Principles of Actions

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

Charter of Corporate Behavior

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

Improvements in Both Social Value and Economic Value through ESG



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

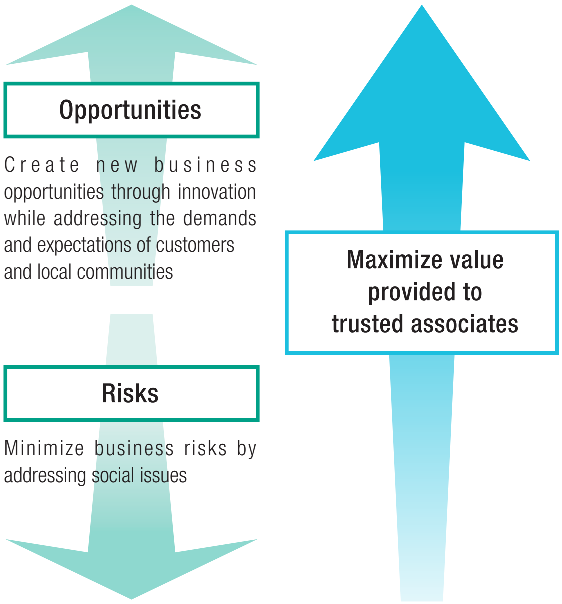
Social Contribution and Local Commitment

Pachinko experience at nursing care facilities

Disaster recovery support

Management of Risks and Opportunities

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



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

The Company is a holding company which directly holds shares of 3 pachinko hall operators including Dynam and 5 other subsidiaries with other businesses. The Group operates pachinko hall business as its core business and has the largest pachinko hall chain in Japan with **442** halls as of 31 March 2021.

The Company

Pachinko Business

Dynam

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

Yume Corporation

Yume Corporation was acquired into the Group in November 2015. They have been conducting chain store management since its establishment just like Dynam. Yume Corporation operates 33 halls under the Yumeya brand in Japan.

Cabin Plaza

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

Dynam Business Support

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

Nihon Humap

Nihon Humap operates restaurants near pachinko halls and large spaghetti restaurants, manages the cleaning.

Business Partners

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

Dynam Hong Kong

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

Aircraft Lease Business

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.

The effect of the novel coronavirus

Since April 2020, due to the spread of the novel coronavirus infection, the Japanese government has declared a state of emergency, and prefectures have requested various industries to suspend their operation. Similar request was made to pachinko halls, which is the core business of the Group. As a result, 436 halls (about 97%) were temporarily forced to close.

The Group immediately set up a Crisis Management Committee to address the issues to manage information sharing and analysis, and the planning and implementation of countermeasures. Specifically, as infection prevention measures, we are implementing temperature measurement before going to work for all employees and carring out remote work for headquarters' employees. At pachinko halls, we are installing photocatalytic coating with high sterilization effect, automatic body temperature measuring device and ozone generator.

After taking these measures, all pachinko halls have resumed operations since June 2020. However, operating revenue after July 2020 has only recovered to 70% to 80% of the previous year's level. Although we secured a surplus in the fiscal year ended 31 March 2021, we cannot say that the novel coronavirus impact has ended. Since the outlook is uncertain, it is difficult to mention specific figures for the next fiscal year and beyond.

Under such circumstances, the pachinko business is expected to recover moderately after June 2021, but it will be difficult to recover to the level of the year before the outbreak of novel coronavirus during this term, and the consolidated operating revenue will be higher than the previous year (before the outbreak of novel coronavirus). It is assumed that the level will remain at 80%. We will continue to review the cost structure of the Group and promote reforms to a management system that can generate profits.

The aviation industry, to which our Aircraft Lease Business belongs, has been placed in a very difficult environment due to the spread of the novel coronavirus infections, which has led to the bankruptcy of many airlines and requests for deferral of leasing fees.

In this circumstance, we have not been able to purchase new aircraft, but our three existing lease agreements have not been deferred or rescheduled for payment.

Although it is expected that the aviation industry will take some time to recover in the future, we will aim for further growth by steadily purchasing aircraft in line with our investment standards.

The above outlook may change depending on the presence or absence of re-expansion of the novel coronavirus infection and the time of convergence.

Pachinko Business

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

Initiatives to Realize Everyday Entertainment

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

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

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

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

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

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

Multiple-hall development

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

Opening new standardized halls

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

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

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

Standardizing hall specifications

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

Wood-frame halls on land leased for 20 years

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

Acquiring other pachinko hall operators into the Group

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

Low-cost operations

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

Using second-hand gaming machines and establishing distribution centers

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

Use of ICT systems

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

Aircraft Leasing Business

The Company aspires to achieve a steady growth through the Aircraft Leasing Business leveraged by strong cash flow generated from the pachinko.

BUSINESS ENVIRONMENT

Nowadays, the percentage of operating lease in the world's aircraft exceeds about 46%, 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 hit hard by the novel coronavirus infection, it is expected that the pace of growth will recover in the medium term as global aircraft demand recovers.

BUSINESS PLAN

The Company incorporated a subsidiary in Ireland, Dynam Aviation, in 2018. The Company intends to purchase mainly the narrow-body aircrafts such as Airbus A320 and Boeing 737. While paying close attention to the business environment of the aviation industry, we aim to build a stable and highly profitable portfolio.

RECENT ACTIVITIES

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

Airbus A321-200N (NEO) 1

Airbus A320-200N (NEO) 1

Airbus A320-200 1

Fleet (As at 31 March 2020)

- Number of aircraft: 3 (A321-200N (NEO): 1, A320-200N (NEO): 1, A320-200: 1)
- Average age: 2.2 years
- Average remaining lease period: 4.5 years

CORPORATE GOVERNANCE

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board believes that such commitment will in the long term serve to enhance the Shareholders' value. The Company has applied the principles and adopted all code provisions, where applicable, as set out in the Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Directors consider that the Company has applied the principles and complied with all applicable code provisions set out in the Code except for the following deviations.

Code Provision E.1.3

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

Under the Companies Act and the Articles of Incorporation, the Company was required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2020). The Companies Act also requires the notice for the AGM to be dispatched together with the audited financial statements under Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalize the annual report which accompanies the AGM notice to be dispatched to the Shareholders.

The AGM for the Reporting Period will be held on 24 June 2021 and its notice will be dispatched on 2 June 2021, which will not satisfy the minimum notice period as required by the code provision E.1.3, for the same reason as stated in the preceding paragraph.

Code provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive should be performed by different individuals. During the Reporting Period, the roles of the chairman and chief executive were performed by Mr. Kohei SATO until 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 Company and its subsidiaries, and this was beneficial and in the interests of the Company and the Shareholders. Further, the Board considers that a balance of power and authority was ensured by the Board composition during the Reporting Period, with over half of the Board members being independent non-executive Directors.

Mr. Kohei SATO resigned as the chairman of the Board with effect from 27 April 2020, and Mr. Tatsuji FUJIMOTO was appointed and resigned as the chairman of the Board on 27 April 2020 and 24 June 2020 respectively. Mr. Makoto SAKAMOTO has been appointed as the chairman of the Board on 24 June 2020. Mr. Kohei SATO also resigned as chief executive officer with effect from 27 April 2020 and Mr. Makoto SAKAMOTO has been appointed as the chief executive officer on the same date.

From 24 June 2020, Mr. Makoto SAKAMOTO 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.

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

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

CORPORATE GOVERNANCE DUTIES

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

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

During the Reporting Period, the above corporate governance duties have been duly performed by the Board.

DIRECTOR'S INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

Name of Directors	Training on corporate governance, regulatory development and other relevant topics
Mr. Makoto SAKAMOTO	✓
Mr. Yoji SATO	✓
Mr. Kohei SATO	✓
Mr. Akira HOSAKA	✓
Mr. Mitsutoshi KATO	✓
Mr. Thomas Chun Kee YIP	✓
Mr. Kei MURAYAMA	✓
Mr. Kiyohito KANDA	✓
Mr. Koji KATO	✓

THE BOARD

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

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

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

The Board currently consists of nine Directors, comprising one executive Director, three non-executive Directors and five independent non-executive Directors. Pursuant to the Articles of Incorporation, each of the executive Director, non-executive Directors and independent non-executive Directors was appointed for a term of one year at the AGM of the Company held in June 2020. The term of office of a Director shall expire at the end of the next AGM to be held after his appointment. Directors may serve any number of consecutive terms.

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

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

Number of meetings held/attended		
	Number of attendance	
Name of Director	**Board meetings**	**Shareholders' meeting**
Executive Director		
Mr. Makoto SAKAMOTO (newly appointed on 24 June 2020) (Chairman of the Board)(1)	10/10	1/1
Non-executive Directors		
Mr. Yoji SATO	13/13	1/1
Mr. Kohei SATO(2)	13/13	1/1
Mr. Akira HOSAKA (newly appointed on 24 June 2020)	10/10	1/1
Mr. Tatsuji FUJIMOTO (retired on 24 June 2020)	3/3	1/1
Mr. Noriaki USHIJIMA (retired on 24 June 2020)	3/3	1/1
Independent Non-executive Directors		
Mr. Mitsutoshi KATO	13/13	1/1
Mr. Thomas Chun Kee YIP	13/13	1/1
Mr. Kei MURAYAMA	13/13	1/1
Mr. Kiyohito KANDA	13/13	1/1
Mr. Koji KATO (newly appointed on 24 June 2020)	10/10	1/1
Mr. Ichiro TAKANO (retired on 24 June 2020)	3/3	1/1

Notes:

(1) Mr. Makoto SAKAMOTO was appointed as the chairman of the Board on 24 June 2020.

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

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee of the Company (the "**Audit Committee**"), the remuneration committee of the Company (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") each with delegated powers for overseeing particular aspects of the Company's affair. Each of such committees has been established with written terms of reference.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Kiyohito KANDA (chairman), Mr. Thomas Chun Kee YIP and Mr. Koji KATO. Mr. Ichiro TAKANO resigned as a member and the chairman of the Audit Committee on 24 June 2020, and Mr. Kiyohito KANDA was appointed as the chairman on the same date. Mr. Koji KATO was also appointed as a member of the Audit Committee on 24 June 2020.

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

The Audit Committee met 16 times during the Reporting Period. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Kiyohito KANDA (appointed as chairman on 24 June 2020)	16/16
Mr. Thomas Chun Kee YIP	16/16
Mr. Koji KATO (appointed on 24 June 2020)	12/12
Mr. Ichiro TAKANO (ceased as chairman and member on 24 June 2020)	4/4

To summarize the work performed by the Audit Committee during the Reporting Period, the Audit Committee had (1) reviewed the audited consolidated financial statements for the year ended 31 March 2020 and the unaudited interim financial statements for the six months ended 30 September 2020; (2) reviewed risk management and internal control systems of the Group; and (3) reviewed and approved the remuneration and terms of engagement of the Company's auditor, and made recommendations to the Board and the Shareholders on the re-appointment of the Company's auditor.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in accordance with the requirements of the Code. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one executive Director, namely Mr. Makoto SAKAMOTO. Mr. Kohei SATO resigned as a member of the Remuneration Committee, with effect from 27 April 2020, and Mr. Tatsuji FUJIMOTO was appointed on the same date. Mr. Tatsuji FUJIMOTO resigned as a member of the Remuneration Committee on 24 June 2020, and Mr. Makoto SAKAMOTO was appointed on the same date.

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

The Remuneration Committee met 6 times during the Reporting Period. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Mitsutoshi KATO	6/6
Mr. Makoto SAKAMOTO (appointed on 24 June 2020)	3/3
Mr. Kei MURAYAMA	6/6
Mr. Kohei SATO (replaced by Mr. Tatsuji FUJIMOTO on 27 April 2020)	–
Mr. Tatsuji FUJIMOTO (replaced by Mr. Makoto SAKAMOTO on 24 June 2020)	2/2

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

Details of the Directors' remuneration are set out in note 54 to the Financial Statements in this report.

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

Remuneration bands	Number of individuals
HK$300,001 to HK$500,000 (equivalent to ¥4,272,014 to ¥7,120,000)	0
HK$500,001 to HK$1,000,000 (equivalent to ¥7,120,014 to ¥14,240,000)	0
HK$1,000,001 to HK$2,000,000 (equivalent to ¥14,240,014 to ¥28,480,000)	4
HK$2,000,001 to HK$4,000,000 (equivalent to ¥28,480,014 to ¥56,960,000)	0

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with the requirements of the Code. The Nomination Committee currently consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one executive Director, namely Mr. Makoto SAKAMOTO. Mr. Kohei SATO resigned as a member of the Nomination Committee, with effect from 27 April 2020, and Mr. Tatsuji FUJIMOTO was appointed on the same date. Mr. Tatsuji FUJIMOTO resigned as a member of the Nomination Committee on 24 June 2020, and Mr. Makoto SAKAMOTO was appointed on the same date.

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

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

Name of members	Number of attendance
Mr. Makoto SAKAMOTO (appointed on 24 June 2020)	2/2
Mr. Mitsutoshi KATO	5/5
Mr. Kei MURAYAMA	5/5
Mr. Kohei SATO (replaced by Mr. Tatsuji FUJIMOTO on 27 April 2020)	–
Mr. Tatsuji FUJIMOTO (replaced by Mr. Makoto SAKAMOTO on 24 June 2020)	2/2

To summarize the work performed by the Nomination Committee during the Reporting Period, the Nomination Committee (1) reviewed the structure, size and composition of the Board; (2) reviewed the re-appointment of Directors with recommendations to the Shareholders for their approval at the AGM held in June 2020; (3) reviewed and recommended the appointment and re-appointment of directors and other officers of our Group (other than the Company); (4) reviewed the existing Nomination Policy and Diversity Policy, and (5) assessed the independence of independent non-executive Directors. The Nomination Committee has reviewed the structure of the Board and confirmed that there is an appropriate balance of Board diversity.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

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

RISK MANAGEMENT, INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

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

In the "DYJH Fundamental Policy of Internal Control" (the "**Internal Control Policy**"), it is provided for that the executive officers of the Company are obligated to establish a basic framework of the risk management and internal control systems including the establishment of the Group Internal Control Committee and the Group Risk Management Committee. The Group Risk Management Committee, which is being established based on the Internal Control Policy with those nominated by the executive officer and president acting as chairman and members thereof, puts the risk information together and analyzes them to take measures for the risk management.

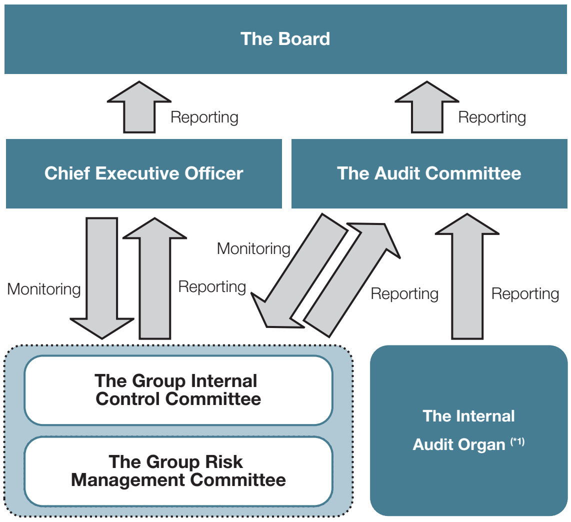
The Group Risk Management Committee and the Group Internal Control Committee report their respective risk management and internal control activities to the Audit Committee regularly. The Board reviews the effectiveness of the risk management and internal control systems through the report by the Audit Committee once a year.

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

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

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

Structure of risk management and internal control systems



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

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

Description of the system

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

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

AUDITOR'S REMUNERATION

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

	¥ million	HK$ million(3)
Audit services(1)	99	6.9
Non-audit services(2)	3	0.2
Total fees	102	7.1

Notes:

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

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

(3) Translated into Hong Kong dollars at the rate of ¥14.24 to HK$1.00, the exchange rate prevailing on 31 March 2021.

SHAREHOLDERS' RIGHTS

Rights to demand that Directors call a Shareholders' meeting

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

Right to put enquiries to the Board

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

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

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

INVESTOR RELATIONS

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

Constitutional documents

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

JOINT COMPANY SECRETARIES

Ms. CHU Wai Ha, resigned as the joint company secretary with effect from 28 June 2020. On the same date, the Company engages Ms. WONG Sau Ping, an associate director of the listing services department of TMF Hong Kong Limited (a global corporate services provider), as one of its joint company secretaries. The primary corporate contact person of the Company is Mr. Norio HARASAWA, the other joint company secretary appointed by the Company on 26 June 2014. The Company has complied with Rule 3.29 of the Listing Rules since Ms. WONG Sau Ping and Mr. Norio HARASAWA have undertaken no less than 15 hours of relevant profession training during the Reporting Period.

DIVIDEND POLICY

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

Executive Director

Executive Director, Chairman of the Board, President and Chief Executive Officer
Mr. Makoto SAKAMOTO (Age: 64)

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

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

Non-executive Director

Non-executive Director and Senior Corporate Advisor of the Board
Mr. Yoji SATO (Age: 75)

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

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

Non-executive Director and Senior Corporate Advisor of the Board
Mr. Akira HOSAKA (Age: 48)

Apr 1995	Joined Dynam Co., Ltd.
Mar 2008	Zone Manager of Niigata zone of Dynam Co., Ltd.
May 2016	Head of Corporate Management Department of Dynam Co., Ltd.
Jun 2017	Director of Dynam Co., Ltd.
Jun 2020	Representative Director of Dynam Co., Ltd. (present)
Jun 2020	Non-executive Director of the Company (present)

Mr. Akira Hosaka graduated from Rikkyo University with a bachelor's degree in sociology in March 1995.

Non-executive Director and Corporate Advisor of the Board
Mr. Kohei SATO (Age: 66)

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

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

Independent non-executive Director

Independent non-executive Director
Mr. Mitsutoshi KATO (Age: 63)

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

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

Independent non-executive Director
Mr. Kiyohito KANDA (Age: 56)

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

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

Independent non-executive Director
Mr. Koji KATO (Age: 53)

Apr 1994	Registered as Attorney-at-Law; Joined Ishii Law Office
Apr 1997	Joined Okamura Law Office
Nov 2001	Passed the bar of the State of New York
May 2002	Joined Land of Lincoln Legal Foundation (State of Illinois)
Aug 2004	Joined Steptoe & Johnson LLP (Washington D.C.)
Apr 2004	Partner of Okamura Law Office (present)
Jun 2020	Independent Non-executive Director of the Company (present)

Mr. Koji Kato graduated from Tokyo University with a bachelor's degree in law in March 1992 and from the University of Illinois College of Law in May 2001.

Independent non-executive Director
Mr. Thomas Chun Kee YIP (Age: 60)

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

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

Independent non-executive Director
Mr. Kei MURAYAMA (Age: 66)

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

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

Senior Management

Executive Director, Chairman of the Board, President and Chief Executive Officer
Mr. Makoto SAKAMOTO (Age: 64)

The biography of Mr. Makoto SAKAMOTO is provided on page 21 of this report.

Executive Officer
Mr. Hisao KATSUTA (Age: 69)

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

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

Executive Officer
Mr. Seiji OBE (Age: 56)

Apr 1987	Joined Yamaichi Securities Company, Limited
Apr 1998	Joined Dynam
Sep 2005	Head of Finance Department of Dynam
Apr 2015	Seconded to Head of Planning and Coordination Group of the Company
Dec 2016	Seconded to Business Management Group of the Company

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

Executive Officer
Mr. Yoshiyuki MIZUTANI (Age: 64)

Apr 1981	Joined Daiei Inc.
Apr 2002	Joined Aiful Corporation
May 2002	Jointed Life Co., Ltd.
Jul 2007	Joined Life Card Co., Ltd.
Jul 2011	Director of Life Card Co., Ltd.
Jul 2012	Joined Dynam
Nov 2012	Executive Officer of the Company (present)
Jun 2015	Managing Director of Dynam (present)

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

Executive Officer
Mr. Kimiharu SATO (Age: 46)

Apr 1998	Joined Dynam
Apr 2010	Zone Manager of Fukuoka Zone of Dynam
Jun 2013	Head of Sales Policy Department of Dynam
Jun 2016	Executive Officer
Jun 2017	Director of Dynam (present)
Nov 2017	Director of the Company (present)

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

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

PRINCIPAL ACTIVITIES

The Company is a pure holding company. The principal activities of its major subsidiaries are set out in note 45 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW AND PROSPECT

A review of the business of the Group during the Reporting Period, a discussion on the Group's growth strategy, and our corporate vision are provided in the "Chairman's Statement" and "Management Discussion & Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators including performance by hall types and breakdown of major account segments, and an explanation for the increase or decrease of each of the major account segments are provided in the "Financial & Operational Highlights" of this annual report. The above sections form part of this Report of the Directors.

Events After The Reporting Period

No important event affecting the Group has occurred since the end of the Reporting Period and up to the date of this annual report.

Compliance With Relevant Laws And Regulations

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

Environmental Protection

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

Relationships With Employees, Customers And Suppliers

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The following are principal risks and uncertainties identified by the Group to be of significance and have the potential to affect the Group's financial conditions, results of operations and business prospects. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks relating to pachinko hall operation business

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

Risks relating to Aircraft Lease Business

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

Financial risks

Details of financial risks are set out in note 49 to the Financial Statements.

RESULTS AND APPROPRIATIONS

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

DECLARATION OF FINAL DIVIDEND

The Board proposed to declare a final dividend of ¥2 per ordinary Share for the Reporting Period on 26 May 2021, and the final dividend will be payable on 25 June 2021 to the Shareholders whose names appear on the Company's share register at close of business on 7 June 2021. Based on the assumption that 752,701,296 Shares shall be in issue as at 7 June 2021, it is expected that the final dividend payable will amount to approximately ¥1,505 million (equivalent to approximately HK$106 million). No Shareholder has waived or agreed to waive any dividends.

The exchange rate for the conversion of Japanese yen to Hong Kong dollar for the dividend distributed to Shareholders in Hong Kong dollar will be based on the average currency exchange rates prevailing five business days immediately before 26 May 2021.

FINANCIAL HIGHLIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 23 to the Financial Statements.

BORROWING

Particulars of borrowing of the Group as at 31 March 2021 are set out in note 33 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital for the Reporting Period are set out in note 41 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Company for the Reporting Period are set out in note 43 to the Financial Statements.

DISTRIBUTABLE RESERVES

The Company's reserves for distribution refer to retained profits and other capital surplus. In the opinion of the Directors, as at 31 March 2021, the Company had reserves available for distribution to its Shareholders of ¥20,388 million (2020: ¥65,596 million).

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
October 2020	30,800	8.10	8.08	249,332
January 2021	2,042,000	7.76	7.57	15,813,318
February 2021	1,320,200	8.00	7.76	10,382,726
March 2021	2,940,000	8.00	7.62	23,082,114
	13,284,600			104,549,340

All of the above-described Shares repurchased were subsequently cancelled. The number of issued Shares as of 31 March 2021 was 752,701,296.

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.

PUBLIC FLOAT

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Director

Makoto SAKAMOTO appointed on 24 June 2020

Non-executive Directors

Yoji SATO re-appointed on 24 June 2020
Kohei SATO re-appointed on 24 June 2020
(re-designated from executive Director to non-executive Director on 27 April 2020)
Akira HOSAKA appointed on 24 June 2020
Tatsuji FUJIMOTO retired on 24 June 2020
Noriaki USHIJIMA retired on 24 June 2020

Independent Non-executive Directors

Mitsutoshi KATO re-appointed on 24 June 2020
Thomas Chun Kee YIP re-appointed on 24 June 2020
Kei MURAYAMA re-appointed on 24 June 2020
Kiyohito KANDA re-appointed on 24 June 2020
Koji KATO appointed on 24 June 2020
Ichiro TAKANO retired on 24 June 2020

DIRECTORS' BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at the end of the Reporting Period, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which should be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or was required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange, are as follows:

(i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares[1]	Approximate Percentage of Interests in the Company[2]
Mr. Yoji SATO	Interest of controlled corporations[3]	273,632,560	
	Interest of spouse[3]	760	
	Other[4]	171,171,800	
		444,805,120	59.09%
Mr. Kohei SATO	Beneficial owner[5]	53,639,680	
	Interest of spouse[5]	1,500,000	
	Other[4]	389,665,440	
		444,805,120	59.09%
Mr. Makoto SAKAMOTO	Beneficial owner	22,000	0.00%
Mr. Akira HOSAKA	Beneficial owner	78,121	0.01%

Notes:

(1) All interests stated are long positions.

(2) There were 752,701,296 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) Limited which is also wholly owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.

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

(5) Mr. Kohei SATO, one of the Sato Family Members, resigned as chairman of 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 a non-executive Director on 27 April 2020. He was re-appointed as a non-executive Director on 24 June 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 the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of any associated corporation of the Company.

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

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

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

Name	Nature of Interest/Capacity	Number of Shares(1)	Approximate Percentage of Interests in the Company(2)
SAC	Beneficial owner(3)	177,822,560	
	Interest of controlled corporation(3)	95,810,000	
		273,632,560	36.35%
Rich-O	Beneficial owner(3)	95,810,000	12.73%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	10.63%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse(4)	273,632,560	
	Other(5)	171,171,800	
		444,805,120	59.09%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation(6)	14,580,104	
	Other(5)	410,645,440	
		444,805,120	59.09%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other(5)	403,829,440	
		444,805,120	59.09%
Mrs. Yaeko NISHIWAKI	Beneficial owner	20,379,576	
	Interest of controlled corporation(7)	20,517,184	
	Other(5)	403,908,360	
		444,805,120	59.09%
Mrs. Shizuka SATO	Beneficial owner	1,500,000	
	Interest of spouse(8)	53,639,680	
		55,139,680	7.33%

Notes:

(1) All interests stated are long positions.

(2) There were 752,701,296 Shares in issue as at the end of the Reporting Period.

(3) See Note (3) on page 42 of this annual report.

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

(5) See Note (4) on page 42 of this annual report.

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

(7) N. Company Co., Ltd., which is wholly owned and controlled by Mrs. Yaeko NISHIWAKI, is beneficially interested in 20,517,184 Shares and such interests are deemed to be Mrs. Yaeko NISHIWAKI's interests under the SFO.

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

The related party transactions of the Company for the Reporting Period are set out in note 52 to the Financial Statements. Other than disclosed below, the related party transactions of the Company did not constitute non-exempt connected transactions under Chapter 14A of the Listing Rules.

One-off Connected Transactions

On 26 September 2018, the Company and each of Mr. Yoji SATO, Mr. Kohei SATO, Mrs. Keiko SATO, Mrs. Yaeko NISHIWAKI, Mr. Masahiro SATO, Mr. Shigehiro SATO, Mr. Kiyotaka SATO, Rich-O and SAC, each controlling Shareholder (as defined in the Listing Rules) then, and SAIL, entered into the supplemental deed to deed of non-competition dated 18 July 2012, in order to amend the existing deed of non-competition and enable the Group to engage in the Aircraft Lease Business with the assistance and cooperation of the SAC Aircraft Leasing Members. On 20 December 2018, the extraordinary general meeting of the Company considered and approved such transaction. For details, please refer to the announcement and circular of the Company dated 26 September 2018 and 28 November 2018 respectively.

On 29 April 2020, the Company and each of Mr. Yoji SATO, Mr. Kohei SATO, Mrs. Keiko SATO, Mrs. Yaeko NISHIWAKI, Mr. Masahiro SATO, Mr. Shigehiro SATO, Rich-O, SAC and SAIL entered into the 2nd supplemental deed (the "**2nd Supplemental Deed**") to deed of non-competition as amended by the above-mentioned supplemental deed, in order to enable the Group to participate in a wider spectrum of opportunities for Aircraft Lease Business as well as benefit from the extensive experience and resources of the SAC Aircraft Leasing Members. Further, on 29 April 2020, the Group has entered into with SAC Aircraft Leasing Members, the new cooperation framework agreement (the "**New Cooperation Framework Agreement**"). Pursuant to the New Cooperation Framework Agreement, the Group and the SAC Aircraft Leasing Members have agreed to cooperate with each other in respect of wider business opportunities for the Aircraft Lease Business.

Each of Mr. Yoji SATO, Mr. Kohei SATO, Mrs. Keiko SATO, Mrs. Yaeko NISHIWAKI, Mr. Masahiro SATO, Mr. Shigehiro SATO, Rich-O and SAC is a substantial Shareholder of the Company and thus is a connected person of the Company under the Listing Rules. SAC holds more than 30% of the issued share capital of the Company and is a connected person of the Company as defined under the Listing Rules. Accordingly, pursuant to Chapter 14A of the Listing Rules, the entering into of the 2nd Supplemental Deed and New Cooperation Framework Agreement constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

On 24 June 2020, the AGM considered and approved such transactions. For details, please refer to the announcement of the Company dated 29 April 2020 and the circular of the Company dated 2 June 2020.

Continuing Connected Transactions

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

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

As mentioned above, on 29 April 2020, the Group has entered into with SAC Aircraft Leasing Members, the New Cooperation Framework Agreement to replace the Old Cooperation Framework Agreement. At the time when the AGM has considered and approved the New Cooperation Framework Agreement on 24 June 2020, the Old Cooperation Framework Agreement automatically terminated and was of no further force and effect.

The aggregate annual value paid and payable by the Group for the transactions under the Old Cooperation Framework Agreement during the Reporting Period was nil, which did not exceed the annual cap of ¥30,000 million.

Because no transaction as contemplated under the Old Cooperation Framework Agreement has taken place during the Reporting Period, neither the annual review by the Company's independent non-executive Directors pursuant to Rule 14A.55 of the Listing Rules nor the annual review by the Company's auditor pursuant to Rule 14A.56 of the Listing Rules has been conducted.

INTERESTS OF DIRECTORS IN A COMPETING BUSINESS

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

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

NON-COMPETITION UNDERTAKINGS

Each of Mr. Yoji SATO, Mr. Kohei SATO, Mrs. Keiko SATO, Mrs. Yaeko NISHIWAKI, Mr. Masahiro SATO, Mr. Shigehiro SATO, Rich-O and SAC, each controlling Shareholder (as defined in the Listing Rules) and SAIL, has confirmed to the Company that he/she/it has complied with the terms of the deed of non-competition dated as of 18 July 2012 (as amended by the supplemental deed to deed of non-competition dated as of 26 September 2018 and the 2nd Supplemental Deed) (the "**Deed of Non-competition**") during the Reporting Period. The independent non-executive Directors have also reviewed the compliance with the Deed of Non-competition and are of the view that the said controlling Shareholders and SAIL had not breached the terms of the Deed of Non-competition during the Reporting Period.

On 20 December 2018, the extraordinary general meeting of the Company considered and approved the supplemental deed to the original deed of non-competition. On 24 June 2020, the AGM considered and approved the 2nd Supplemental Deed.

For details of the original deed of non-competition, please refer to the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 24 July 2012; for details of the supplement thereto, the announcement and circular of the Company dated 26 September 2018 and 28 November 2018 respectively; and for details of the 2nd Supplemental Deed, the announcement of the Company dated 29 April 2020 and the circular of the Company dated 2 June 2020 .

DIRECTOR'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTEREST

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

REMUNERATION POLICY

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

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

Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in notes 20 and 54 to the Financial Statements respectively.

PERMITTED INDEMNITY

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

MANAGEMENT CONTRACTS

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

DONATIONS

During the Reporting Period, the Group made donations of approximately ¥134 million.

MAJOR CUSTOMERS AND SUPPLIERS

Pachinko hall operation business

(1) Major Customers

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

(2) Major Suppliers

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

The largest supplier:	
G-prize supplier	53.2%
General prize supplier	51.8%
Pachinko and pachislot machine supplier	21.6%

Top five suppliers:	
G-prize supplier	96.4%
General prize supplier	86.8%
Pachinko and pachislot machine supplier	53.9%

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

Aircraft Lease Business

(1) Major Customers

The Group's revenue from the Aircraft Lease Business attributable to its major customers during the Reporting Period were as follows:

The largest customer:	70.3%
Top five customers:	99.8%

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

(2) Major Suppliers

During the Reporting Period, the Group did not purchase any aircraft.

COMPLIANCE WITH THE CODE

In the opinion of the Directors, the Company has complied with the Code throughout the Reporting Period, save for certain derivations. The corporate governance report is set out on pages 27 to 34 of this annual report.

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

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

AUDITOR

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The ESG Report 2021 for the Reporting Period will be published separately no longer than three months after the publication of this report.

By order of the Board
Makoto SAKAMOTO
Chairman of the Board

Japan, 26 May 2021

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

OPINION

What we have audited

The consolidated financial statements of DYNAM JAPAN HOLDINGS Co., Ltd. (the "Company") and its subsidiaries (together, "the Group") set out on pages 54 to 141, which comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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KEY AUDIT MATTERS

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

Summary of key audit matter:

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to note 23. PROPERTY, PLANT AND EQUIPMENT, note 24. LEASES and note 26. INTANGIBLE ASSETS to the consolidated financial statements. The Group has reported significant net book value of property, plant and equipment, right-of-use assets and goodwill balances of ¥96,415 million, ¥77,537 million and ¥2,277 million, respectively, as at 31 March 2021. Most of the property, plant and equipment, right-of-use assets and goodwill relates to the Group's pachinko halls. The Group has considered an individual pachinko hall as a cash-generating unit ("CGU") based on business activities at an impairment test. An impairment test requires exercise of significant management judgement to determine the recoverable amounts of cash generating units (CGUs). The recoverable amounts of CGUs are based on the higher of fair value less costs of disposal and value in use calculations that require significant management judgement with respect to determining the pre-tax discount rate and underlying cash flows, in particular with respect to future revenue growth rates and operating costs on the business plans approved by the management for the following years. Based on the management's impairment assessments, the impairment losses of ¥90 million and ¥126 million for the property, plant and equipment and the right-of-use assets, respectively, was recognised for the year. No impairment loss relating to the goodwill was recorded for the year. We identified this matter as the key audit matter in our audit given that the net book value of property, plant and equipment, right-of-use assets and goodwill balances are material, and the future revenue growth rates and operating costs on the business plans for the following years, used to determine the recoverable amounts of the CGUs, are highly involved by the management judgement under the outbreak of the coronavirus (COVID-19) since January 2020.	As part of our audit, we performed the following procedures related to the management's impairment assessment: • Obtained, understood and evaluated management's valuation methodology for impairment and value in use calculations; • Assessed the reasonableness of key assumptions used in the calculation of discounted future cash flows, such as the pre-tax discount rate, revenue growth rate and operating cost structure, by reference to management's forecast, the Group's past performance and our knowledge of the Group's business and industry, taking into consideration the Group's strategy to shift its focus to low playing cost games and the challenging business environment that the entire industry has to face; • Evaluated the impact of COVID-19 especially in the key assumptions used in the calculation of discounted future cash flows, such as the impact to the business performance due to the decreasing of the customers visited at the halls under the environment to limit the flows of the people required under the restriction by the Japanese and local governments, and the operation suspended in accordance with the request by the local governments, and recovery plan after the COVID-19 in the future; • Agreed key assumptions to supporting evidence, such as the approved budgets upon which forecasts were based. We evaluated the reasonableness of using these as a basis for estimating future cash flows, in particular, for the CGUs that had lower headroom between the carrying values and the value in use; • Tested mathematical accuracy of the calculation of value in use derived from each discounted future cash flow; • Tested the calculation of the impairment loss by comparing the carrying amount of the CGU with the value in use, and verified the amount of loss was recognized for the year ended 31 March 2021; and • Evaluated the appropriateness of the related disclosures including those relating to the key assumptions and sensitivities. We determined the assumptions made by management in relation to the value in use calculations and the future cash flows to be supportable based on and consistent with the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers Aarata LLC
Certified Public Accountants

Japan, 26 May 2021

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2021

	Note	**2021 ¥ million**	2020 ¥ million
Revenue	10,11	**98,602**	142,483
Revenue from pachinko business	10,11	**97,141**	141,919
Revenue from aircraft leasing business	10,11	**1,461**	564
Pachinko business expenses	12	**(96,673)**	(121,912)
Aircraft leasing expenses	13	**(891)**	(399)
General and administrative expenses	14	**(4,340)**	(5,020)
Other income	16(a)	**11,561**	8,446
Other operating expenses	16(b)	**(1,531)**	(2,084)
Operating profit		**6,728**	21,514
Finance income	17	**286**	461
Finance expenses	18	**(2,672)**	(2,469)
Profit before income tax		**4,342**	19,506
Income taxes	19	**(1,991)**	(6,759)
Net profit for the year		**2,351**	12,747
Net profit attributable to:			
Owners of the Company		**2,363**	12,748
Non-controlling interests		**(12)**	(1)
Net profit		**2,351**	12,747
Earnings per share	22		
Basic (¥)		**3.1**	16.6
Diluted (¥)		**3.1**	16.6

The notes on pages 61 to 141 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 ¥ million	2020 ¥ million
Net profit for the year		**2,351**	12,747
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income/(loss)		**526**	(921)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive (loss)/income		**(33)**	45
		493	(876)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**409**	(304)
		409	(304)
Other comprehensive income/(loss) for the year, net of tax	44	**902**	(1,180)
Total comprehensive income for the year		**3,253**	11,567
Attributable to:			
Owners of the Company		**3,265**	11,567
Non-controlling interests		**(12)**	0
		3,253	11,567

The notes on pages 61 to 141 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

AT 31 MARCH 2021

	Note	2021 ¥ million	2020 ¥ million
Non-current assets			
Property, plant and equipment	23,48	**96,415**	105,206
Right-of-use assets	24	**77,537**	79,048
Investment properties	25	**2,619**	2,928
Intangible assets	26	**3,348**	3,623
Financial assets measured at fair value through other comprehensive income	27	**3,405**	2,813
Lease receivables	28	**5,275**	5,478
Deferred tax assets	38	**13,412**	14,706
Other non-current assets	29	**7,272**	7,639
		209,283	221,441
Current assets			
Inventories	30	**5,080**	3,378
Trade receivables	49(b)	**361**	554
Lease receivables	28	**2,007**	2,137
Prizes in operation of pachinko halls		**3,685**	4,574
Income tax receivables		**3,172**	1,894
Other current assets	32	**2,824**	1,451
Cash and cash equivalents	33	**74,661**	41,810
		91,790	55,798
TOTAL ASSETS		**301,073**	277,239
Current liabilities			
Trade and other payables	34	**19,997**	14,801
Borrowings	35	**11,380**	3,008
Lease liabilities	24(f)	**12,040**	12,185
Provisions	39	**1,653**	2,054
Income taxes payables		**6,215**	3,301
Other current liabilities	37	**8,527**	8,679
		59,812	44,028
Net current assets		**31,978**	11,770
Total assets less current liabilities		**241,261**	233,211

Consolidated Statement of Financial Position (Continued)

AT 31 MARCH 2021

	Note	**2021 ¥ million**	2020 ¥ million
Non-current liabilities			
Deferred tax liabilities	38	**56**	21
Borrowings	35	**22,587**	10,220
Lease liabilities	24(f)	**79,899**	81,611
Other non-current liabilities	40	**1,150**	1,027
Provisions	39	**5,597**	5,600
		109,289	98,479
NET ASSETS		**131,972**	134,732
Capital and reserves			
Share capital	41	**15,000**	15,000
Capital reserve	43(c)	**11,304**	12,741
Retained earnings	43(c)	**107,104**	109,317
Other components of equity	43(c)	**(1,403)**	(2,305)
Equity attributable to owners of the Company		**132,005**	134,753
Non-controlling interests		**(33)**	(21)
TOTAL EQUITY		**131,972**	134,732

The notes on pages 61 to 141 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2021

		Attributable to equity holders of the Company										
						Other components of equity						
	(Note)	Share capital ¥ million	Capital reserve ¥ million	Treasury shares ¥ million	Retained earnings ¥ million	Fair value of financial assets at FVTOCI ¥ million	Foreign currency translation reserve ¥ million	Other reserves ¥ million	Total ¥ million	Total ¥ million	Non-controlling interests ¥ million	Total equity ¥ million
At 1 April 2019		15,000	12,741	–	115,204	(2,524)	1,395	5	(1,124)	141,821	(21)	141,800
Cumulative effect of applying new standards and interpretations		–	–	–	(9,443)	–	–	–	–	(9,443)	–	(9,443)
Profit for the year		–	–	–	12,748	–	–	–	–	12,748	(1)	12,747
Other comprehensive income for the year		–	–	–	–	(876)	(305)	–	(1,181)	(1,181)	1	(1,180)
Total comprehensive income for the year		–	–	–	12,748	(876)	(305)	–	(1,181)	11,567	0	11,567
2020 dividend		–	–	–	(9,192)	–	–	–	–	(9,192)	–	(9,192)
Total changes in equity for the year		–	–	–	3,556	(876)	(305)	–	(1,181)	2,375	0	2,375
At 31 March 2020		15,000	12,741	–	109,317	(3,400)	1,090	5	(2,305)	134,753	(21)	134,732
At 1 April 2020		**15,000**	**12,741**	**–**	**109,317**	**(3,400)**	**1,090**	**5**	**(2,305)**	**134,753**	**(21)**	**134,732**
Profit for the year		**–**	**–**	**–**	**2,363**	**–**	**–**	**–**	**–**	**2,363**	**(12)**	**2,351**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**493**	**409**	**–**	**902**	**902**	**(0)**	**902**
Total comprehensive income for the year		**–**	**–**	**–**	**2,363**	**493**	**409**	**–**	**902**	**3,265**	**(12)**	**3,253**
Change in ownership interest of parent due to transactions with non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of treasury shares	41	**–**	**–**	**(1,437)**	**–**	**–**	**–**	**–**	**–**	**(1,437)**	**–**	**(1,437)**
Cancellation of treasury shares	41	**–**	**(1,437)**	**1,437**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2021 dividend		**–**	**–**	**–**	**(4,576)**	**–**	**–**	**–**	**–**	**(4,576)**	**–**	**(4,576)**
Total changes in equity for the year		**–**	**(1,437)**	**–**	**(2,213)**	**493**	**409**	**–**	**902**	**(2,748)**	**(12)**	**(2,760)**
At 31 March 2021		**15,000**	**11,304**	**–**	**107,104**	**(2,907)**	**1,499**	**5**	**(1,403)**	**132,005**	**(33)**	**131,972**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2021

	Note	**2021** **¥ million**	2020 ¥ million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**4,342**	19,506
Adjustments for:			
Finance expenses		**2,672**	2,469
Finance income		**(286)**	(461)
Depreciation		**10,249**	10,668
Depreciation of right-of-use assets		**9,971**	10,406
Amortisation of intangible assets		**384**	371
Loss on disposals and write off of property, plant and equipment		**138**	589
Impairment loss on property, plant and equipment		**90**	266
Impairment loss on right-of-use assets		**126**	449
Fair value loss from investment properties		**280**	81
Other adjustments		**(413)**	25
Operating profit before working capital changes:		**27,553**	44,369
Decrease/(increase) in prizes in operation of pachinko halls		**889**	(783)
Increase in inventories		**(1,691)**	(1,535)
Decrease in trade receivables		**192**	50
(Increase)/decrease in other non-current assets		**(47)**	87
(Increase)/decrease in other current assets		**(1,367)**	1,204
Decrease/(increase) in finance lease receivables		**380**	(81)
Increase/(decrease) in trade and other payables		**5,444**	(4,098)
(Decrease)/increase in other current liabilities		**(146)**	154
Increase in other non-current liabilities		**99**	140
(Decrease)/increase in current provisions		**(411)**	41
Other adjustments		**15**	–
Cash generated from operations		**30,910**	39,548
Income taxes refund/(paid)		**939**	(7,440)
Finance expenses paid		**(2,408)**	(2,037)
Net cash generated from operating activities		**29,441**	30,071

Consolidated Statement of Cash Flows (Continued)

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 ¥ million	2020 ¥ million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,787)**	(24,331)
Proceeds from disposal of property, plant and equipment		**130**	3
Purchase of investment properties		**–**	(994)
Proceeds from disposal of investment properties		**87**	1
Purchase of intangible assets		**(175)**	(899)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		**13**	5
Payments for asset retirement obligations		**(84)**	(19)
Collection of loans receivable		**0**	8
Payment of rental deposits		**(114)**	(275)
Proceeds from refund of rental deposits		**363**	156
Finance income received		**378**	394
Other adjustments		**1**	–
Net cash used in investing activities		**(1,188)**	(25,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised	36	**33,484**	14,633
Repayment of bank loans	36	**(12,963)**	(4,032)
Repayment of leases liabilities	36	**(10,051)**	(11,010)
Acquisition of treasury shares	41	**(1,437)**	–
Dividends paid	21	**(4,576)**	(9,192)
Net cash generated from/(used in) financing activities		**4,457**	(9,601)
Effects of exchange rate changes on cash and cash equivalents		**141**	(246)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**32,851**	(5,727)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**41,810**	47,537
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	**74,661**	41,810
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**74,661**	41,810

The notes pages 61 to 141 are an integral part of these consolidated financial statements.

FOR THE YEAR ENDED 31 MARCH 2021

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company as at 31 March 2021 consist 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 consolidated financial information was approved and authorised for issuance by the Board of Directors on 26 May 2021.

In the opinion of the directors of the Company, as at 31 March 2021, Mr. Yoji Sato and Sato Family Members are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. USE OF ESTIMATES AND JUDGEMENTS

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

5. 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 consolidated statement of profit or loss respectively.

During the year ended 31 March 2021, the revenues and costs related to the aircraft leasing business were increased due to the scale of the expansion of the business activity. The management has recognized the 'Aircraft leasing business' as a main business as well as the pachinko business and identified and disclosed two reportable segments based on the types of services, namely 'Pachinko business' and 'Aircraft leasing business' from the year ended 31 March 2021. From the year ended 31 March 2021, 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 year ended 31 March 2020, have been presented as "Pachinko business expenses" from the year ended 31 March 2021.

To reflect these changes in the presentation method, "Other income" of ¥564 million was restated in "Revenue from aircraft leasing business" and "Other operating expenses" of ¥399 million was restated in "Aircraft leasing expenses" respectively for the year ended 31 March 2020.

The change in the presentation method has no impacts on the operating profit and net profit for the year ended 31 March 2020 and 2021.

6. 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 material 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'

7. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT ARE PUBLISHED BUT HAVE NOT YET BEEN ADOPTED BY THE GROUP

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
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 IFRS9 Financial Instruments IFRS16 Leases

8. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 9 to the financial statements.

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

(a) Consolidation

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Merger accounting for business combinations under common control

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred. The excess of the

— consideration transferred,

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Separate financial statements

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Translation on consolidation

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Translation on consolidation *(Continued)*

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

(f) Segment reporting

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

(g) Property, plant and equipment

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

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

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

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

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

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

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

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

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

The Group as lessee

(i) Right-of-use asset

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

(ii) Lease liability

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

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group as lessee *(Continued)*

(ii) *Lease liability (Continued)*

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

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

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

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

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

The Group as lessor

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

(i) *Finance leases*

Leases that substantially transfer to lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognised in the fiscal year to which it is attributable.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group as lessor *(Continued)*

(ii) Operating leases

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

(iii) Subleases

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

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

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

(i) ***Investment properties***

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

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets

(i) Goodwill

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

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

(ii) Trademarks and Computer software

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

Trademarks	10 years
Computer software	5 years

(iii) Lease Intangible

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

(i) Supplies

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

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

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

(ii) Property under development for sale

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

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

(l) Prizes in operation of pachinko halls

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

(m) Financial assets

(i) Derivative instruments and hedge accounting

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Non-derivative financial assets

Initial Recognition and measurement

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

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

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

Subsequent measurement

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

(1) Financial assets measured at amortised cost

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

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Subsequent measurement (Continued)

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

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

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

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

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

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

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

Dividends from these investments are recognised in profit or loss.

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(iii) Impairment

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

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

However (regardless of the above), the Group measures the loss allowance for all trade receivables and lease receivables at an amount equal to the lifetime expected credit losses.

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

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

(iv) Derecognition of financial assets

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

(v) Presentation of financial assets and liabilities

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities

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

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

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

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

(o) Cash and cash equivalents

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

(p) Revenue recognition

In accordance with IFRS 15, revenue excluding lease contracts under IFRS 16 "Leases" is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Revenue from pachinko business

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

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

The performance obligation of the Gross pay-ins is satisfied when our customers finish the game. Gross pay-ins represents the amount received from pachinko balls and pachislot tokens rented to customers less unutilized balls and tokens. Gross payouts represents the aggregate cost of G-prize and general prize exchanged by customers.

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

Revenue from aircraft leasing business

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

Other service income is recognised as follows.

Income from fixed commission of vending machines are recognised over the periods by the contract conditions. Income from variable commission of vending machines are recognised according to the usage of vending machines.

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

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

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

Finance lease income is recognised as revenue in each period according to the effective interest rate method during the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognised in the fiscal year to which it is attributable.

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

Grants recognized as profit or loss are deducted from the corresponding expenses when they are directly based on the incurred expenses. Grants received based on other conditions are shown in other income.

(r) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Defined contribution retirement plans

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

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

(s) Taxation

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) ***Taxation*** *(Continued)*

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

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

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

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

(t) ***Impairment of non-financial assets***

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

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

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

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

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of non-financial assets (Continued)

(ii) Impairment of goodwill

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

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

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

(u) Provisions

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

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

(v) Maintenance reserves

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

(w) 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 or cancellation of the Group's own equity instruments. Any differences between the carrying amount and the consideration is recognised in equity.

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods, if the revision affects both current and future periods.

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

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

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

(b) Impairment of goodwill

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

The value-in-use calculations of goodwill use discounted cash flow projections based on business plans for the following consolidated financial year.

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

(c) Income taxes

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

(d) The effect of the coronavirus (COVID-19)

For the calculation of the recoverable amount as of 31 March 2021, the impact of the expansion of coronavirus (COVID-19) is reflected in future cash flow estimates, and we cannot say that the coronavirus (COVID-19) impact has ended, the Group estimated that it will have a negative effect of the coronavirus (COVID-19) on future cash flow in all regions where the Group operates pachinko halls.

The Group adopt the future cash flows with the estimates that the level of consolidated operating revenue will remain at approximately 80% compared to the previous year (before the spread of the novel coronavirus infection of 31 March 2019).

10. REVENUE

	2021 **¥ million**	2020 ¥ million
Gross pay-ins	**475,163**	732,862
Less: Gross payouts	**(378,022)**	(590,943)
Revenue from pachinko business	**97,141**	141,919
Revenue from aircraft leasing business	**1,461**	564
Revenue	**98,602**	142,483

‘Revenue from pachinko business’ is 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’ is recognised in accordance with IFRS 16 ‘Leases’.

11. 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.

During the year ended 31 March 2021, the revenues and costs related to the aircraft leasing business were increased due to the scale of the expansion of the aircraft leasing business activity. The management has recognized the 'Aircraft leasing business" as a main business as well as the pachinko business and identified and disclosed two reportable segments based on the types of services, namely 'Pachinko business' and 'Aircraft leasing business' from the year ended 31 March 2021.

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'.

Segment information for the year ended 31 March 2020 was also restated.

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 year ended 31 March 2021 and 2020 are as follows:

11. SEGMENT INFORMATION *(Continued)*

(a) Information about revenue, profit, assets and liabilities

	Year ended 31 March 2021				
	Pachinko business ¥ million	Aircraft leasing business ¥ million	Segment Total ¥ million	Unallocated ¥ million	Total ¥ million
Segment revenue from external customers	97,141	1,461	98,602	–	98,602
Other segment items					
Depreciation and amortization expenses	(19,618)	(705)	(20,323)	(71)	(20,394)
Impairment loss	(214)	–	(214)	(1)	(215)
Finance income	139	6	145	115	260
Finance expenses	(2,126)	(358)	(2,484)	–	(2,484)
Segment profit	9,878	224	10,102	–	10,102
Corporate expenses					(5,760)
Profit before income taxes					4,342
Income taxes					(1,991)
Net profit for the year					2,351
Addition to non-current assets other than financial instruments and deferred tax assets	13,257	–	13,257	66	13,323

11. SEGMENT INFORMATION *(Continued)*

(a) ***Information about revenue, profit, assets and liabilities*** *(Continued)*

	Year ended 31 March 2020				
	Pachinko business ¥ million (restated)	Aircraft leasing business ¥ million (restated)	Segment Total ¥ million (restated)	Unallocated ¥ million (restated)	Total ¥ million (restated)
Segment revenue from external customers	141,919	564	142,483	–	142,483
Other segment items					
Depreciation and amortization expenses	(20,881)	(276)	(21,157)	(109)	(21,266)
Impairment loss	(708)	–	(708)	(10)	(718)
Finance income	143	142	285	147	432
Finance expenses	(1,916)	(147)	(2,063)	(2)	(2,065)
Segment profit	25,816	161	25,977	–	25,977
Corporate expenses					(6,471)
Profit before income taxes					19,506
Income taxes					(6,759)
Net profit for the year					12,747
Addition to non-current assets other than financial instruments and deferred tax assets	17,689	17,292	34,981	972	35,953

11. SEGMENT INFORMATION *(Continued)*

(a) ***Information about revenue, profit, assets and liabilities*** *(Continued)*

The segment assets and segment liabilities as at 31 March 2021 and 2020 are as follows:

	As at 31 March 2021				
	Pachinko business ¥ million	**Aircraft leasing business ¥ million**	**Segment Total ¥ million**	**Unallocated ¥ million**	**Total ¥ million**
Segment assets	**240,762**	**21,076**	**261,838**	**39,235**	**301,073**
Segment liabilities	**102,686**	**20,728**	**123,414**	**45,687**	**169,101**

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

11. SEGMENT INFORMATION *(Continued)*

(b) Information about geographical areas

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.

	Year ended 31 March 2021		
	Japan	**Europe**	**Total**
	¥ million	**¥ million**	**¥ million**
Segment revenue from external customers	**97,141**	**1,461**	**98,602**

	As at 31 March 2021		
	Japan	**Europe**	**Total**
	¥ million	**¥ million**	**¥ million**
Segment non-current assets other than financial instruments and deferred tax assets	**164,099**	**16,557**	**180,656**

	Year ended 31 March 2020		
	Japan	Europe	Total
	¥ million	¥ million	¥ million
	(restated)	(restated)	(restated)
Segment revenue from external customers	141,919	564	142,483

	As at 31 March 2020		
	Japan	Europe	Total
	¥ million	¥ million	¥ million
	(restated)	(restated)	(restated)
Segment non-current assets other than financial instruments and deferred tax assets	174,699	17,000	191,699

(c) 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.

12. PACHINKO BUSINESS EXPENSES

	2021 **¥ million**	2020 ¥ million
Advertising expenses	**1,793**	3,419
Cleaning and ancillary services	**3,130**	3,808
Depreciation expenses	**9,457**	10,224
Hall staff costs	**41,402**	47,282
Pachinko and pachislot machine expenses	**16,489**	27,753
Depreciation expenses of right-of-use assets	**9,895**	10,349
Rental expenses	**50**	169
Repair and maintenance expenses	**1,735**	3,413
Utilities expenses	**4,659**	5,554
Others	**8,063**	9,941
	96,673	121,912

13. AIRCRAFT LEASING EXPENSES

	2021 **¥ million**	2020 ¥ million
Depreciation expenses	**594**	218
Amortisation expenses	**111**	58
Others	**186**	123
	891	399

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2021 **¥ million**	2020 ¥ million
Salaries, bonus and allowances	**2,960**	3,151
Audit fee	**99**	99
Non-audit fee	**3**	3
Others	**1,278**	1,767
	4,340	5,020

15. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2021 ¥ million	2020 ¥ million
Salaries, bonus and allowances	**47,575**	54,170
Contribution to defined contribution retirement plans	**948**	933
	48,523	55,103

16. OTHER INCOME AND OTHER OPERATING EXPENSES

(a) Other income

	2021 ¥ million	2020 ¥ million
Commission from vending machines and in-store sales	**3,035**	4,729
Income from forfeiture of customer's membership cards	**146**	205
Income from catering services	**413**	918
Sales revenue from property held for sale	**21**	68
Revenue from finance leases	**116**	480
Net gains on disposals of used machines	**150**	420
Rental income	**622**	652
Government grants(*)	**5,544**	–
Others	**1,514**	974
	11,561	8,446

* Government grants related to employment or other actions regarding coronavirus (Covid-19) infection taken by the Group are recognized in profit or loss.

(b) Other operating expenses

	2021 ¥ million	2020 ¥ million
Disposal cost of non-financial assets	**225**	608
Impairment loss of non-financial assets	**215**	718
Cost of sales of property held for sale	**10**	26
Cost of sales of finance leases	**60**	180
Rental cost	**130**	130
Others	**891**	422
	1,531	2,084

16. OTHER INCOME AND OTHER OPERATING EXPENSES *(Continued)*

(b) ***Other operating expenses*** *(Continued)*

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 consolidated statement of profit or loss respectively. During the year ended 31 March 2021, the revenues and costs related to the aircraft leasing business were increased due to the scale of the expansion of the business activity. The management has recognized the 'Aircraft leasing business" as a main business as well as the pachinko business and identified and disclosed two reportable segments based on the types of services, namely 'Pachinko business' and 'Aircraft leasing business' from the year ended 31 March 2021.From the year ended 31 March 2021, 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".

To reflect these changes in the presentation method, "Other income" of ¥564 million was restated in "Revenue from aircraft leasing business" and "Other operating expenses" of ¥399million was restated in "Aircraft leasing expenses" respectively for the year ended 31 March 2020.

17. FINANCE INCOME

	2021 **¥ million**	2020 ¥ million
Bank interest income	**22**	175
Finance leases interest income	**164**	173
Dividend income	**26**	29
Others	**74**	84
	286	461

18. FINANCE EXPENSES

	2021 **¥ million**	2020 ¥ million
Interest expenses	**511**	185
Amortisation of syndicated loan charges	**74**	82
Foreign exchange loss, net	**31**	237
Interest on lease liabilities	**1,973**	1,880
Others	**83**	85
	2,672	2,469

19. INCOME TAXES

	2021 **¥ million**	2020 ¥ million
Current taxes — Japan Profits Tax		
Provision for the year	**686**	6,396
	686	6,396
Current taxes — Overseas		
Provision for the year	**9**	37
	9	37
Deferred taxes (Note 38)		
Provision for the year	**1,296**	326
Income tax expense	**1,991**	6,759

Hong Kong profits tax included in overseas taxation above has been provided at a rate of approximately 16.5% on the estimated assessable profit for the year ended 31 March 2021.

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

	2021 **¥ million**	2020 ¥ million
Profit before tax	**4,342**	19,506
Japan Profits Tax rate	**31%**	31%
Tax at the domestic income tax rate	**1,366**	6,136
Tax effect of income that is not taxable	**(2)**	(10)
Tax effect of expenses that are not deductible	**506**	573
Tax effect of temporary differences not recognised	**21**	(7)
Tax losses not recognised	**178**	124
Effect of different tax rates of subsidiaries	**(103)**	(69)
Others	**25**	12
Income tax expense	**1,991**	6,759

AS AT THE YEAR ENDED 31 MARCH 2021

20. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included three (2020: two) directors whose emoluments are reflected in the analysis presented in Note 54.

The emoluments of the remaining two (2020: three) individuals are set out below:

	2021 **¥ million**	2020 ¥ million
Salaries and allowances	**46**	74
Discretionary bonus	**–**	12
	46	86

The remuneration fell within the following bands is as follows:

	2021 **Number of individuals**	2020 Number of individuals
HK$1,500,001 to HK$2,000,000 (equivalent to ¥21,360,014 to ¥28,480,000) (2020: equivalent to ¥21,045,014 to ¥28,060,000)	**2**	1
HK$2,000,001 to HK$2,500,000 (equivalent to ¥28,480,014 to ¥35,600,000) (2020: equivalent to ¥28,060,014 to ¥35,075,000)	**–**	2
HK$2,500,001 to HK$3,000,000 (equivalent to ¥35,600,014 to ¥42,720,000) (2020: equivalent to ¥35,075,014 to ¥42,090,000)	**–**	–
HK$3,000,001 to HK$3,500,000 (equivalent to ¥42,720,014 to ¥49,840,000) (2020: equivalent to ¥42,090,014 to ¥49,105,000)	**–**	–

No remunerations were paid by the Group to any of the directors or chief executive officer or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 March 2021 (2020: Nil).

21. DIVIDENDS

Dividends declared and paid/payable to its shareholders by:	2021 Dividend per share ¥	2021 Total dividends ¥ million	2020 Dividend per share ¥	2020 Total dividends ¥ million
— Interim	**3.00**	**2,278**	6.00	4,596
— Final	**2.00**	**1,505**	3.00	2,298
		3,783		6,894

On 26 May 2021, the Board of Directors declared a final dividend of ¥2.00 per ordinary share of the Company, which is payable on 25 June 2021 to the shareholders of the Company.

The amount of proposed final dividend for the year ended 31 March 2021 is based on 752,701,296 shares in issue as at 26 May 2021 when the consolidated financial statements was approved by the Board of directors.

If the Group owns any treasury shares as at 7 June 2021 when is the dividend record date, the amount of proposed final dividend represents the number of shares in issue, which exclude the number of treasury shares owned by the Group as at the date, multiplied by the amount of dividend per share.

22. EARNINGS PER SHARE

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

	2021 ¥ million	2020 ¥ million
Earnings for the purpose of calculating basic earnings per share	**2,363**	12,748
Weighted average number of ordinary shares	**761,174,145**	765,985,896
Basic earnings per share (¥)	**3.1**	16.6

Diluted earnings per share was the same as basic earnings per share for the year ended 31 March 2021 and 2020 as there were no dilutive potential ordinary shares in existence during the year ended 31 March 2021 and 2020.

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23. PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥ million	Buildings including leasehold improvements ¥ million	Tools and equipment ¥ million	Motor vehicles ¥ million	Aircrafts ¥ million	Construction in progress ¥ million	Total ¥ million
Cost							
At 1 April 2019	31,939	148,579	84,086	222	–	448	265,274
Transfer to right-of-use assets	–	(47)	(5,647)	–	–	–	(5,694)
Additions	59	416	361	4	16,569	5,957	23,366
Transfer	167	2,624	2,972	16	–	(5,779)	–
Disposals/write off	–	(1,282)	(2,961)	(7)	–	–	(4,250)
Translation	(3)	(14)	(30)	(5)	(14)	(38)	(104)
At 31 March 2020 and 1 April 2020	32,162	150,276	78,781	230	16,555	588	278,592
Additions	–	74	56	7	–	1,468	1,605
Transfer	–	986	976	1	–	(1,963)	–
Transfer to investment properties (note 24)	(46)	(35)	–	–	–	–	(81)
Disposals/write off	(28)	(1,352)	(1,002)	(2)	–	–	(2,384)
Translation	3	32	17	0	288	(13)	327
At 31 March 2021	32,091	149,981	78,828	236	16,843	80	278,059
Accumulated depreciation and impairment							
At 1 April 2019	2,953	102,487	64,219	170	–	–	169,829
Transfer to right-of-use assets	–	(25)	(5,291)	–	–	–	(5,316)
Impairment loss due to the adoption of IFRS 16(*)	117	1,243	315	1	–	–	1,676
Charge for the year	–	5,160	5,270	20	218	–	10,668
Impairment loss	129	66	71	–	–	–	266
Disposals/write off	–	(1,164)	(2,545)	(6)	–	–	(3,715)
Translation	–	(2)	(16)	(3)	–	–	(21)
At 31 March 2020 and 1 April 2020	3,199	107,765	62,022	182	218	–	173,386
Charge for the year	–	4,996	4,639	20	594	–	10,249
Impairment loss	16	43	31	0	–	–	90
Transfer to investment properties (note 24)	–	(27)	–	–	–	–	(27)
Disposals/write off	–	(1,167)	(927)	(2)	–	–	(2,096)
Translation	–	5	5	0	32	–	42
At 31 March 2021	3,215	111,615	65,770	200	844	–	181,644
Carrying amount							
At 31 March 2021	28,876	38,366	13,058	36	15,999	80	96,415
At 31 March 2020	28,963	42,511	16,759	48	16,337	588	105,206

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

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

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

	2021 ¥ million	2020 ¥ million
Freehold		
Japan	**28,840**	28,930
South Korea	**36**	33
	28,876	28,963

(b) At 31 March 2021, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to ¥21,853 million (2020: ¥19,199 million).

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

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

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

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

The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the circumstances specific to the CGU.

The revenue growth rates are estimated zero at 31 March 2021 and 2020, respectively.

An explanations of the effects of coronavirus (COVID-19) infection on future cash flows used for the calculation of the recoverable amount of property, plant and equipment as of 31 March 2021 is provided in note 9.

Whereas the fair value less cost of disposal at 31 March 2021 was valued by JLL Morii Valuation & Advisory K.K. ("JLL") and Valor Appraisal & Advisory Limited ("Valor"), which are independent and qualified firms of real estate appraiser.

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

	2021 %	2020 %
Pre-tax discount rate	**3.8**	4.8

Impairment loss recognised for the year ended 31 March 2021 amounted to ¥90 million (2020: ¥266 million).

24. LEASES

The Group as lessee

(a) Leasing Activities

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

The initial average lease term of land and buildings leases is 18 years and the average lease term of tools and equipment and motor vehicles leases is 5 years respectively.

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

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

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

(b) Relating to the statement of financial position

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

	2021 **¥ million**	2020 ¥ million
Properties	**77,192**	78,565
Tools and equipment	**53**	134
Motor vehicles	**107**	99
Others	**185**	250
Right-of-use assets	**77,537**	79,048

	2021 **¥ million**	2020 ¥ million
Additions to right-of-use assets	**14,106**	12,100

The effect of the coronavirus (COVID-19)

An explanations of the effects of coronavirus (COVID-19) infection on future cash flows used for the calculation of the recoverable amount of right-of-use asset as of 31 March 2021 is provided in note 9.

24. LEASES *(Continued)*

The Group as lessee *(Continued)*

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

	2021 ¥ million	2020 ¥ million
Depreciation expense of right-of-use assets by class of underlying assets		
Properties	**9,789**	10,028
Tools and equipment	**81**	228
Motor vehicles	**36**	40
Others	**65**	110
	9,971	10,406
Interest expense on lease liabilities	**1,973**	1,880
Total	**11,944**	12,286
Expense relating to short-term leases for which the recognition exemption is applied (leases with a lease term of up to one month can be excluded)	**82**	26
Expense relating to leases of low-value items for which the recognition exemption is applied (expense relating to short-term leases of low-value assets shall not be included)	**59**	66
Lease expenses	**12,085**	12,378

Impairment loss recognised for the year ended 31 March 2021 amounted to ¥126 million (2020: ¥449 million).

(d) Relating to the statement of cash flows

	2021 ¥ million	2020 ¥ million
Total cash outflow for leases	**12,024**	12,891

(e) Additional disclosures about leasing activities

	2021 ¥ million	2020 ¥ million
Leases not yet commenced to which the lessee is committed	**8,990**	13,261

24. LEASES *(Continued)*

The Group as lessee *(Continued)*

(f) **At 31 March 2021, maturity analysis of the lease liabilities are as follows:**

	2021 **¥ million**	2020 ¥ million
Within one year	**12,040**	12,185
In the second to fifth years, inclusive	**32,353**	35,352
After five years	**47,546**	46,259
	91,939	93,796
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(12,040)**	(12,185)
Amount due for settlement after 12 months	**79,899**	81,611

The Group as lessor

(a) **Leasing Activities**

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

The average lease term of properties held for sale is 15 years (2020: 15 years) and the average lease term of aircrafts is 4.5 years (2020: 5.9 years) respectively.

(b) **Relating to the consolidated statement of profit or loss**

	2021 **¥ million**	2020 ¥ million
Selling profit or loss	**116**	480
Finance income on the net investment in the lease	**164**	173
Revenue from finance leases	**280**	653
Revenue from operating leases	**1,461**	564
Revenue from leases	**1,741**	1,217

(c) **Residual value risk on assets under lease**

The aircraft owned by Dynam Aviation are leased under operating leases with lease payable monthly.

The aircrafts under lease are exposed to the risk of changes in the residual value at the end of their respective lease terms.

The Group has engaged the services of third party lease management companies, who have appropriate experience of the aviation industry, to manage, remarket or sell the aircraft as required in order to reduce this risk.

25. INVESTMENT PROPERTIES

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

	2021 **¥ million**	2020 ¥ million
Non-current asset — at fair value		
At beginning of year	**2,928**	1,351
Recognised on adoption of IFRS 16	**–**	657
Additions	**–**	994
Disposals	**(98)**	(2)
Transfer from property, plant and equipment	**54**	–
Net loss from fair value adjustment	**(280)**	(81)
Translation	**15**	9
At end of year	**2,619**	2,928

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

	2021 **¥ million**	2020 ¥ million
In Hong Kong		
Buildings on leasehold	**883**	1,003
In Japan		
Freehold	**1,013**	1,127
Buildings on leasehold	**723**	798
	2,619	2,928

Amounts recognised in profit or loss for investment properties:

	2021 **¥ million**	2020 ¥ million
Amounts recognised in profit or loss for investment properties are as follows:		
Rental income	**622**	652
Direct operating expenses from properties	**(130)**	(130)
Net loss on disposals of investment properties	**(11)**	(1)
Fair value loss recognised in other operating expenses	**(280)**	(81)
Total	**201**	440

25. INVESTMENT PROPERTIES *(Continued)*

(a) Fair value measurements

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

(b) Fair value estimation

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level at fair value hierarchy is provided in note 51.

For the calculation of the fair value of Investment properties as of 31 March 2021 determined by JLL and Valor, the Group estimated the negative effect of coronavirus (COVID-19) on valuation of rental yields in price surveys of investment properties.

In assessing the rental yield, the competitiveness of the properties, such as the location of the real estate, building specifications, rental format, contract conditions, terms of rights and forecast of net income fluctuations, etc. from a medium- to long-term perspective are taken into consideration as well as the effects of the temporal spread of coronavirus (COVID-19).

(c) Recognised fair value measurements

Based on the fair value at 31 March 2021 by JLL and Valor and 2020 determined by JLL the Group performed valuation of its investment properties at 31 March 2021 and 2020 as follows:

At 31 March 2021

	Fair value measurements using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	¥ million	**¥ million**	**¥ million**	**¥ million**
Investment properties				
Freehold	**–**	**–**	**1,013**	**1,013**
Buildings on leasehold	**–**	**–**	**1,606**	**1,606**
Total recurring fair value measurements	**–**	**–**	**2,619**	**2,619**

At 31 March 2020

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

25. INVESTMENT PROPERTIES *(Continued)*

(c) ***Recognised fair value measurements*** *(Continued)*

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

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

The financial controller updates his assessment of the fair value of each property, based on the fair value at 31 March 2021 determined by JLL and the fair value at 31 March 2020 determined by JLL and Valor.

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

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

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

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

The changes in level 3 items for the year ended 31 March 2021 and 2020 for recurring fair value measurements:

	2021 **¥ million**	2020 ¥ million
Balance at beginning of the period	**2,928**	1,351
Recognised on adoption of IFRS 16	**–**	657
Additions	**–**	994
Disposals	**(98)**	(2)
Transfer from property, plant and equipment	**54**	–
Net loss from fair value adjustment	**(280)**	(81)
Translation	**15**	9
Balance at end of the period	**2,619**	2,928

* Unrealised gains or (losses) recognised in profit or loss attributable to assets held and leased at the end of the reporting period (included in gains/(losses) recognised in net loss from fair value adjustment.

2021 **¥ million**	2020 ¥ million
(320)	(81)

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25. INVESTMENT PROPERTIES *(Continued)*

(f) Valuation inputs and relationships to fair value

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

Description	Valuation technique	Unobservable inputs	**Range of unobservable inputs 2021**	Range of unobservable inputs 2020	**Fair value 2021 ¥ million**	Fair value 2020 ¥ million	Relationship of unobservable input to fair value when the unobservable input increases
Investment properties	Income approach	Discount rate	**12.0%**	12.0%			Decrease
		Rental period	**1.5–22 years**	2.5–23 years			Increase
		Capitalisation rate	**6.0%–12.0%**	6.0%–12.0%			Decrease
		Market rent	**¥ 471–¥14,216 per tsubo**	¥ 471–¥14,216 per tsubo	**1,562**	2,883	Increase
	Sales comparison approach	Transaction price for similar land	**¥20,752–¥171,349 per square meter**	¥22,144–¥23,530 per square meter			Increase
		Adjustment for attributes of the subject (*)	**54.0%**	54.0%	**925**	45	Increase
	Cost approach	Replacement Cost-Lands	**¥13,700 per square meter**	¥14,500 per square meter			Increase
		Replacement Cost-Buildings	**¥80,000–¥165,000 per square meter**	¥165,000–¥178,000 per square meter			Increase
		Accumulated depreciation rate	**0%–100.0%**	0%–100.0%	**132**	–	Decrease
					2,619	2,928	

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

(g) Valuation process

An explanations of valuation process is provided in note 51.

26. INTANGIBLE ASSETS

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

	Goodwill ¥ million	Trademarks ¥ million	Computer software ¥ million	Lease Intangible ¥ million	Total ¥ million
Cost					
At 1 April 2019	2,677	44	3,868	–	6,589
Transfer to right-of-use assets	–	–	(12)	–	(12)
Additions	–	–	211	723	934
Write off	–	–	(456)	–	(456)
Translation	–	–	(0)	(2)	(2)
At 31 March 2020 and 1 April 2020	2,677	44	3,611	721	7,053
Additions	–	–	107	–	107
Write off	–	–	(11)	–	(11)
Translation	–	–	(0)	13	13
At 31 March 2021	2,677	44	3,707	734	7,162
Accumulated amortisation and impairment					
At 1 April 2019	353	35	3,089	–	3,477
Transfer to right-of-use assets	–	–	(9)	–	(9)
Impairment loss due to the adoption of IFRS 16(*)	47	–	–	–	47
Amortisation for the year	–	3	310	58	371
Write off	–	–	(456)	–	(456)
Translation	–	–	–	(0)	(0)
At 31 March 2020 and 1 April 2020	400	38	2,934	58	3,430
Amortisation for the year	–	2	273	109	384
Write off	–	–	(9)	–	(9)
Impairment loss	–	–	0	–	0
Translation	–	–	–	9	9
At 31 March 2021	400	40	3,198	176	3,814
Net book value					
At 31 March 2021	2,277	4	509	558	3,348
At 31 March 2020	2,277	6	677	663	3,623

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

26. INTANGIBLE ASSETS *(Continued)*

(a) Impairment test for goodwill

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

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

A summary of the goodwill allocation is presented below.

Name of pachinko hall	¥ million
KAKOGAWA (Hyogo Prefecture)	500
TAKAYAMA (Gifu Prefecture)	300
Others	1,477
At 31 March 2021	2,277

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

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations, which require the use of assumptions. The calculations use discounted cash flow projections based on business plans for the following consolidated financial year.

An explanations of the effects of coronavirus (COVID-19) infection on future cash flows is provided in note 9.

An appropriate period of future cash flow projections is set for the business of each cash generating unit.

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

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

26. INTANGIBLE ASSETS *(Continued)*

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

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

Key assumptions	**2021**	2020
Revenue (unit: million yen) (% annual growth rate) (*)	**¥197 million–¥624 million (0%)** **(*) For the year ending 31 March 2023 and thereafter**	¥275 million–¥800 million (0%) (*) For the year ending 31 March 2022 and thereafter
Operating costs (unit: million yen)	**¥200 million–¥518 million**	¥268 million–¥667 million
Pre-tax discount rate	**3.8%**	4.8%

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

Key assumptions	**Approach used to determining values**
Revenue (% annual growth rate)	Revenue is based on the business plans approved by the management, which reflects the management's assessment of the industry future trend and the past practices, and the average annual revenue growth rate of the business plans and thereafter is conservatively determined taking into consideration the Group's strategy and a business environment. An explanations of the effects of coronavirus (COVID-19) infection on future cash flows used for the calculation of the recoverable amount of the CGU as of 31 March 2021 is provided in note 9.
Operating costs	Management forecasts operating costs of the CGUs based on the current structure of the business, which does not reflect any future restructuring or cost saving measures.
Pre-tax discount rate	Determined taken into account the weighted average cost of capital ("WACC").

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

There are no impairment losses recognised during the year ended 31 March 2021 (2020: Nil).

26. INTANGIBLE ASSETS *(Continued)*

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

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

The total recoverable amount of individual pachinko halls (CGUs) that are expected to benefit from the synergies from the acquisition of Yume Corporation is estimated at ¥25,642 million at 31 March 2021. This exceeds the total carrying amount of the CGUs, which goodwill has been allocated to, at 31 March 2021 by ¥20,938 million.

In the CGU, which has the minimum excess amount of the recoverable amount to the carrying amount, the recoverable amount of this CGU would equal its carrying amount if the pre-tax discount rate increases by 0.4 percentage points, the revenue decrease by ¥66 million (equivalent to increasing rate of 0.4 %) or the operating costs increase by ¥66 million (equivalent to increasing rate of 0.4%) respectively.

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

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

	2021 **¥ million**	2020 ¥ million
Equity securities at fair value, listed in Hong Kong	**2,047**	1,557
Equity securities at fair value, listed in Japan	**491**	380
Others	**867**	876
	3,405	2,813

28. LEASE RECEIVABLES

The Group as lessor — Finance Lease Receivables

Maturity analysis of the finance lease receivables are as follows:

	Lease payments receivable	
	2021	2020
	¥ million	¥ million
Within one year	**2,185**	2,325
In the second year	**1,375**	1,479
In the third year	**673**	762
In the fourth year	**436**	484
In the fifth year	**392**	433
After five years	**3,626**	3,570
Total	**8,687**	9,053
Less: Unearned finance income	**(1,405)**	(1,438)
Less: Present value of unguaranteed residual value	**–**	–
Net investment In the lease	**7,282**	7,615
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,007)**	(2,137)
Amount due for settlement after 12 months	**5,275**	5,478

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

The average lease term is 13 years (2020: 13 years).

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

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

There is no significant past due balance nor loss allowance provision recognised for finance lease receivables as at 31 March 2021 (2020: Nil).

28. LEASE RECEIVABLES *(Continued)*

Operating Lease Receivables

At 31 March 2021, maturity analysis of the undiscounted operating lease receivables are as follows:

	2021 **¥ million**	2020 ¥ million
Within one year	**1,525**	1,499
In the second year	**1,525**	1,499
In the third year	**1,525**	1,499
In the fourth year	**1,147**	1,499
In the fifth year	**1,027**	1,128
After five years	**179**	1,185
	6,928	8,309

The Group leases aircraft under operating leases.

The average lease term is 4.7 years (2020: 5.9 years).

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

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

29. OTHER NON-CURRENT ASSETS

	2021 **¥ million**	2020 ¥ million
Rental prepayment	**418**	505
Rental deposits	**6,030**	6,190
Prepayment for lender commitment fee	**38**	–
Construction assistance fund receivables	**274**	299
Fire insurance premiums	**174**	266
Others	**338**	379
	7,272	7,639

30. INVENTORIES

	2021 ¥ million	2020 ¥ million
Supplies	**4,128**	2,338
Properties held for sale and under development for sale	**452**	502
Others	**500**	538
	5,080	3,378

31. PRIZES IN OPERATION OF PACHINKO HALLS

	2021 ¥ million	2020 ¥ million
G-prize	**2,924**	3,713
General prize	**761**	861
	3,685	4,574

32. OTHER CURRENT ASSETS

	2021 ¥ million	2020 ¥ million
Rental prepayment	**475**	482
Prepayment for lender commitment fee	**49**	57
Advance payment of insurance premiums	**106**	101
Government grant receivables	**1,217**	–
Others	**977**	811
	2,824	1,451

33. CASH AND CASH EQUIVALENTS

	2021 ¥ million	2020 ¥ million
Cash on hand	**5,603**	4,708
Cash at bank	**69,058**	37,102
Cash and cash equivalents	**74,661**	41,810

As at 31 March 2021, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to ¥156 million (2020: ¥105 million). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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

	2021 ¥ million	2020 ¥ million
JPY	**67,941**	34,521
HKD	**243**	601
USD	**5,811**	6,201
Others	**666**	487
	74,661	41,810

34. TRADE AND OTHER PAYABLES

	2021 ¥ million	2020 ¥ million
Trade payables	**1,032**	1,238
Halls construction and system payables	**658**	1,129
Other tax expenses	**7,245**	3,190
Pachinko and pachislot machine payables	**4,363**	1,108
Accrued staff costs	**5,395**	6,363
Advertisement and promotions	**76**	191
Housing rent	**205**	213
Others	**1,023**	1,369
	19,997	14,801

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

	2021 ¥ million	2020 ¥ million
1 to 30 days	**1,025**	1,187
31 days to 60 days	**–**	–
Over 60 days	**7**	51
	1,032	1,238

35. BORROWINGS

	2021 **¥ million**	2020 ¥ million
Bank loans	**33,967**	13,228

The borrowings are repayable as follows:

	2021 **¥ million**	2020 ¥ million
On demand or within one year	**11,380**	3,008
In the second year	**7,221**	1,219
In the third to fifth years, inclusive	**13,991**	4,602
After five years	**1,375**	4,399
	33,967	13,228
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(11,380)**	(3,008)
Amount due for settlement after 12 months	**22,587**	10,220

Notes:

(i) The weighted average interest rates per annum as at 31 March 2021 and 2020 were set out as follows:

	2021 **%**	2020 %
Bank loans	**1.4**	2.7

(ii) The borrowings as at 31 March 2021 and 2020 were secured by the following:

	2021 **¥ million**	2020 ¥ million
Property, plant and equipment	**16,125**	11,418

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

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020	Cash flows	Non-cash changes: New lease contract	Non-cash changes: Foreign exchange movement	Non-cash changes: Non current transfer to current	Others	2021
	¥ million						**¥ million**
Borrowings — non current	10,220	19,009	–	124	(6,881)	115	**22,587**
Borrowings — current	3,008	1,512	–	21	6,881	(42)	**11,380**
Lease liabilities — non current	81,611	(9,975)	11,610	–	(33)	(3,314)	**79,899**
Lease liabilities — current	12,185	(76)	–	–	33	(102)	**12,040**
Total liabilities from financing activities	107,024	10,470	11,610	145	–	(3,343)	**125,906**

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

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

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

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37. OTHER CURRENT LIABILITIES

	2021 ¥ million	2020 ¥ million
Contract liabilities	**6,563**	7,277
Others	**1,964**	1,402
	8,527	8,679

Details of contract liabilities as at 31 March 2021 and 1 April 2020 are as follows:

	31 March 2021 ¥ million	1 April 2020 ¥ million
Unutilised balls and tokens	**6,563**	7,277

38. DEFERRED TAX

	Property, plant and equipment ¥ million	Staff costs ¥ million	Unutilised balls and tokens ¥ million	Pre-paid rent ¥ million	Pachinko and pachislot machines ¥ million	Investment properties ¥ million	Lease ¥ million	Others ¥ million	Total ¥ million
At 1 April 2019	560	1,991	374	1,662	4,751	33	–	1,236	10,607
Impact of adoption IFRS 16	543	–	–	–	–	–	3,815	–	4,358
Credit/(charge) to equity for the year — origination and reversal of temporary differences	–	–	–	–	–	–	–	46	46
Credit/(charge) to profit or loss for the year (Note 19) — origination and reversal of temporary differences	(276)	(428)	6	(100)	315	32	44	81	(326)
At 31 March 2020 and 1 April 2020	**827**	**1,563**	**380**	**1,562**	**5,066**	**65**	**3,859**	**1,363**	**14,685**
Credit/(charge) to equity for the year — origination and reversal of temporary differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33)**	**(33)**
Credit/(charge) to profit or loss for the year (Note 19) — origination and reversal of temporary differences	**(58)**	**(350)**	**42**	**207**	**(1,271)**	**105**	**(568)**	**597**	**(1,296)**
At 31 March 2021	**769**	**1,213**	**422**	**1,769**	**3,795**	**170**	**3,291**	**1,927**	**13,356**

38. DEFERRED TAX *(Continued)*

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

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

At 31 March 2021, the Group has unused tax losses of ¥3,232 million (2020: ¥2,936 million) and temporary differences of ¥341 million (2020: ¥252 million) for which no deferred tax asset has been recognised.

The Group's tax losses will expire in one to ten years from 31 March 2021.

At 31 March 2021 and 2020, maturity analysis of the tax losses for which no deferred tax assets has been recognised are as follows:

	2021 **¥ million**	2020 ¥ million
With in one year	**14**	26
In the second year	**118**	16
In the third year	**45**	30
In the fourth year	**79**	56
In the fifth year	**749**	812
After five years	**2,227**	1,996
Total	**3,232**	2,936

39. PROVISIONS

	Asset retirement obligation (Note (i)) ¥ million	**Staff vacation payable** (Note (ii)) ¥ million	**Total** ¥ million
At 1 April 2019	5,530	2,013	7,543
Provision for the year	(16)	41	25
Changes in present value	86	–	86
At 31 March 2020	5,600	2,054	7,654
Provision for the year	(84)	(410)	(494)
Changes in present value	90	–	90
At 31 March 2021	**5,606**	**1,644**	**7,250**

Notes to the Consolidated Financial Statements

39. PROVISIONS *(Continued)*

Analysed as:

	2021 ¥ million	2020 ¥ million
Current liabilities	**1,653**	2,054
Non-current liabilities	**5,597**	5,600
	7,250	7,654

Notes:

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

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

40. OTHER NON-CURRENT LIABILITIES

	2021 ¥ million	2020 ¥ million
Retirement benefit payables converting to the defined contribution plan	**194**	195
Rental deposits received	**290**	287
Maintenance reserves	**169**	113
Others	**497**	432
	1,150	1,027

41. SHARE CAPITAL

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

	Note	Number of ordinary shares	¥ million
Authorised:			
At 31 March 2020, and 1 April 2020		2,520,000,000	–
At 31 March 2021		2,520,000,000	–
Issued and fully paid:			
At 31 March 2020 and 1 April 2020		765,985,896	15,000
Decrease in Issued and fully paid shares		13,284,600	–
— At 31 March 2021		752,701,296	15,000

41. SHARE CAPITAL *(Continued)*

Notes:

(i) The Decrease of 13,284,600 shares is due to the cancellation of shares subject to Article 178 of the Japan Company Law.

The numbers of the Company's treasury shares included in the above issued shares are as follows:

	Note	Number of ordinary shares	¥ million
At 31 March 2020, and 1 April 2020		–	–
Increase in treasury shares	(i)	13,284,600	1,437
Decrease in treasury shares	(ii)	13,284,600	1,437
At 31 March 2021		–	–

Notes:

(i) The increase of 13,284,600 treasury shares consists of: 13,284,600 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 hold 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.

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	Aggregate consideration paid ¥ million
July 2020	211,000	16
August 2020	3,970,800	440
September 2020	2,769,800	300
October 2020	30,800	3
January 2021	2,042,000	213
February 2021	1,320,200	142
March 2021	2,940,000	323
	13,284,600	1,437

(ii) The decrease of 13,284,600 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.

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42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 ¥ million	2020 ¥ million
Investments in subsidiaries		**81,019**	80,716
Other non-current assets		**597**	601
Due from subsidiaries — current portion	(i)	**14,175**	17,784
Other current assets		**26,306**	14,955
TOTAL ASSETS		**122,097**	114,056
Due to subsidiaries — current portion	(ii)	**24,915**	15,757
Current tax liabilities		**36**	17
Other current liabilities		**190**	172
Other non-current liabilities		**572**	294
TOTAL LIABILITIES		**25,713**	16,240
Share capital		**15,000**	15,000
Reserves		**81,384**	82,816
TOTAL EQUITY		**96,384**	97,816
TOTAL LIABILITIES AND EQUITY		**122,097**	114,056

Notes:

(i) Due from subsidiaries — current portion

① Included in the current portion of the amounts due from subsidiaries at 31 March 2021 was an amount of ¥14,100 million (2020: ¥17,700 million) which is unsecured, interest bearing at fixed interest rates of 12-month TIBOR plus 0.6% per annum at contract dates, thus exposing the Company to fair value interest rate risk and is repayable at the specific dates.

② The remaining current portion of the amounts due from subsidiaries as at 31 March 2021 and 31 March 2020, respectively, represents non-interest bearing balance and is trade in nature.

(ii) Due to subsidiaries — current portion

① Included in the current portion of the amounts due to subsidiaries at 31 March 2021 was an amount of ¥24,878 million (2020: ¥15,709 million) which is unsecured, interest bearing at interest rates of ordinary deposit per annum presented by Sumitomo Mitsui Banking Corporation, thus exposing the Company to fair value interest rate risk and has no fixed term of repayment.

② The remaining current portion of the amounts due to subsidiaries as at 31 March 2021 and 31 March 2020, respectively, represents non-interest bearing balance and is trade in nature.

43. RESERVES

(a) Group

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

(b) Company

	Capital reserve (Note 43(c)) ¥ million	Treasury shares ¥ million	Retained earnings ¥ million	Fair value of financial assets measured at FVTOCI ¥ million	Total ¥ million
At 1 April 2019	57,362	–	25,846	–	83,208
Total comprehensive income for the year	–	–	8,800	–	8,800
2020 dividend paid	–	–	(9,192)	–	(9,192)
At 31 March 2020 and 1 April 2020	**57,362**		**25,454**	**–**	**82,816**
Transfer upon the curtailment of defined benefit plans	**–**	**–**	**4,581**	**–**	**4,581**
Acquisition of treasury shares	**–**	**(1,437)**	**–**	**–**	**(1,437)**
Cancellation of treasury shares	**(1,437)**	**1,437**	**–**	**–**	**–**
2021 dividend paid	**–**	**–**	**(4,576)**	**–**	**(4,576)**
At 31 March 2021	**55,925**	**–**	**25,459**	**–**	**81,384**

(c) Nature and purpose of reserves

The Capital reserve consists of Capital surplus and Legal reserve.

(i) Capital surplus

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

(ii) Legal reserve

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

43. RESERVES *(Continued)*

(d) Basis for profit appropriation

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

44. OTHER COMPREHENSIVE INCOME

	Amount recorded during the year ¥ million	**Amount before income tax ¥ million**	**Income tax effect ¥ million**	**Amount after income tax ¥ million**
At 31 March 2021				
Changes in fair value of financial assets measured at FVTOCI	**526**	**526**	**(33)**	**493**
Exchange differences on translating foreign operations	**409**	**409**	**–**	**409**
Total	**935**	**935**	**(33)**	**902**

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

45. LIST OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2021 and 2020 are as follows:

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			2021	2020	
Directly held					
Dynam	Japan 25 July 1967	¥5,000,000,000	**100%**	100%	Operation of pachinko halls
Cabin Plaza	Japan 25 May 1988	¥10,000,000	**100%**	100%	Operation of pachinko halls
Yume Corporation (Note (i))	Japan 14 December 1970	¥50,000,000	**100%**	100%	Operation of pachinko halls
Dynam Business Support	Japan 31 October 2003	¥1,020,000,000	**100%**	100%	Real estate and property management Provision of accounting and administration services
Dynam Hong Kong Co., Limited	Hong Kong 7 January 2013	HK$800,000,000	**100%**	100%	Investment holding
Humap	Japan 1 November 1982	¥100,000,000	**100%**	100%	Operation of restaurants Cleaning services for Pachinko Halls
Business Partners	Japan 11 January 2011	¥30,000,000	**100%**	100%	Office cleaning services Manufacture and sales of household supplies
Shimonoseki Resort Development (Note (ii))	Japan 1 September 2016	¥70,000,000	**–**	100%	Real estate development
Dynam Aviation Ireland Limited	Ireland 13 December 2018	USD1,000,000	**100%**	100%	Aircraft Leasing

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45. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			2021	2020	
Indirectly held					
Kanto Daido	Japan 22 January 1992	¥50,000,000	**100%**	100%	Trading of pachinko machines
Japan Real Estate (Note (i))	Japan 4 September 2001	¥3,000,000	**–**	100%	Real estate and property management
Shinrainomori Association (Note (iii))	Japan 3 December 2008	–	**–**	100%	Supporting arm of a franchise chain under Shinrainomori to undertake non-profit brand-building activities
Erin International Co., Ltd.	Mongolia 30 May 2003	MNT3,254,222,125	**87.61%**	87.61%	Operation of international freight forwarding services and contracting services for construction works, property transactions and management services
Erin Finance Non-Banking Finance Institution Limited Liability Company	Mongolia 18 February 2019	MNT2,501,000,000	**87.61%**	87.61%	Non-Banking Finance
Beijing GEO	PRC 4 August 2004	RMB51,998,200	**100%**	100%	Sales of coffee beans
Rich-O Korea	South Korea 27 February 2006	KRW675,000,000	**100%**	100%	Trading of LCD monitors
Genghis Khan	Japan 13 November 2003	¥47,000,000	**100%**	100%	Travel agency
P Insurance	Japan 28 January 2005	¥10,000,000	**100%**	100%	Insurance agency
Dynamic Games Macau Limited (Note (iv))	Macau 4 May 2016	MOP3,500,000	**–**	100%	Development of pachinko machines
Dynam Aviation Ireland One Limited (Note (v))	Ireland 15 February 2019	USD100	**100%**	100%	Aircraft Leasing
Dynam Aviation Ireland Two Limited (Note (v))	Ireland 29 April 2019	USD100	**100%**	–	Aircraft Leasing
Dynam Aviation Ireland Three Limited (Note (v))	Ireland 1 August 2019	USD100	**100%**	–	Aircraft Leasing

45. LIST OF SUBSIDIARIES *(Continued)*

Notes:

(i) Yume Corporation had absorption merged Japan Real Estate on 1 April 2020. Yume Corporation was the surviving corporation in this absorption merge and Japan Real Estate was dissolved on 1 April 2020.

(ii) Shimonoseki Resort Development was liquidated on 27 July 2020.

(iii) Shinrainomori Association is a general incorporation association organised under the GIA/GIF Law in Japan. Under the GIA/GIF Law, there is no concept of shareholding nor equity interest in a general incorporation association. Shinrainomori Association was liquidated on 31 August 2020.

(iv) Dynamic Games Macau Limited was liquidated on 31 March 2021.

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

46. MATERIAL NON-CASH TRANSACTIONS

The Group did not have any material non-cash transactions except for acquisition of right-of-use asset disclosed in the Note 24 for the year ended 31 March 2021 (2020: Nil).

47. CONTINGENT LIABILITIES

At 31 March 2021, the Group did not have any significant contingent liabilities (2020: Nil).

48. CAPITAL COMMITMENTS

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

	2021 **¥ million**	2020 ¥ million
Contracted but not provided for	**–**	55
Approved but not contracted for	**3**	2,744
	3	2,799

49. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as the most of its business transactions, assets and liabilities are denominated in Japanese yen ("¥" or "JPY"), which is the functional and presentation currency of the Group, some of them are denominated in Hong Kong dollars ("HK$") and United States dollars ("USD").

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

At 31 March 2021, if the JPY had weakened or strengthened 10% against the HK$ with all other variables held constant, consolidated profit after tax for the year would have been ¥13 million (2020: ¥31 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in HK$.

At 31 March 2021, if the JPY had weakened or strengthened 10% against the USD with all other variables held constant, consolidated profit after tax for the year would have been ¥489 million (2020: ¥516 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances and borrowings denominated in USD.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

(ii) Price risk

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

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

Impact on other comprehensive income	**2021** **¥ million**	2020 ¥ million
Hang Seng Index		
5%	**102**	78
(5%)	**(102)**	(78)
Tokyo Price Index		
5%	**17**	13
(5%)	**(17)**	(13)

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

This change in fair value has no impact in profit or loss in that the equity securities hold as at 31 March 2021 and 2020 are categorized into financial assets measured at FVTOCI whose subsequent changes in fair value are presented in other comprehensive income.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

(iii) Interest rate risk

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

At 31 March 2021, it is estimated that a general increase/(decrease) of 25 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

Increase/(decrease) in interest rate	**2021** **¥ million**	2020 ¥ million
25 basis points	**18**	5
(25) basis points	**(18)**	(5)

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

(b) ***Credit risk***

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

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

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

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

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

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

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

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

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

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

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

The average lease term of lease receivables is 13 years (2020: 13 years).

As at 31 March 2021 and 2020, trade receivables totaled ¥361 million and ¥554 million, respectively, and lease receivables totaled ¥7,282 million and ¥7,615 million, respectively.

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

	2021 **¥ million**	2020 ¥ million
1 to 30 days	**343**	525
31 days to 60 days	**10**	15
Over 60 days	**8**	14
	361	554

There is no significant past due balance nor loss allowance provision recognised for trade receivables as at 31 March 2021 (2020: Nil).

There is no significant past due balance nor loss allowance provision recognised for lease receivables as at 31 March 2021 (2020: Nil).

49. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) *Liquidity risk*

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

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

		Maturity Analysis — undiscounted cash outflows				
	Note	**Less than 1 year ¥ million**	**Between 1 and 2 years ¥ million**	**Between 2 and 5 years ¥ million**	**Over 5 years ¥ million**	**Total ¥ million**
At 31 March 2021						
Trade and other payables	34	**19,997**	**–**	**–**	**–**	**19,997**
Other current liabilities	37	**1,964**	**–**	**–**	**–**	**1,964**
Borrowings	35	**11,773**	**7,532**	**14,703**	**1,395**	**35,403**
Lease liabilities	24(f)	**13,743**	**11,955**	**25,547**	**53,122**	**104,367**
Other non-current liabilities	40	**–**	**141**	**333**	**676**	**1,150**
		47,477	**19,628**	**40,583**	**55,193**	**162,881**

		Maturity Analysis — undiscounted cash outflows				
	Note	Less than 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
At 31 March 2020						
Trade and other payables	34	14,801	–	–	–	14,801
Other current liabilities	37	1,402	–	–	–	1,402
Borrowings	35	3,354	1,521	5,256	4,726	14,857
Lease liabilities	24(f)	14,024	12,496	28,047	51,629	106,196
Other non-current liabilities	40	–	140	269	619	1,028
		33,581	14,157	33,572	56,974	138,284

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50. CAPITAL RISK MANAGEMENT

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

The overall strategy remained unchanged during the current fiscal year.

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

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

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. However, the Group have applied a wavier under Rule 8.08(1)(d) of the Listing Rules in which the Stock Exchange accepted a lower public float percentage of approximately 20.9% of the Group total issued share capital. Based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Stock Exchange during the period from 1 April 2020 to 31 March 2021.

The Group will consider cash and cash equivalents, total liability and equity. The amount of liability, cash and cash equivalents and equity at 31 March 2021 and 2020 are as follows:

	2021 **¥ million**	2020 ¥ million
Total liability	**169,101**	142,507
Less: cash and cash equivalents	**(74,661)**	(41,810)
Net liability/(cash)	**94,440**	100,697
Total liability and total equity	**301,073**	277,239

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of these items are shown in the table below. Note that items with the carrying amounts which are reasonable approximation of fair values are not presented in the table.

		At 31 March 2021 ¥ million		At 31 March 2020 ¥ million	
	Notes	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets					
Financial assets measured at FVTOCI	27	**3,405**	**3,405**	2,813	2,813
Financial assets measured at amortised cost					
Rental deposits	29	**6,030**	**6,338**	6,190	6,575
Lease receivables	28	**7,282**	**7,282**	7,615	7,615
Total		**16,717**	**17,025**	16,618	17,003
Financial liabilities					
Financial liabilities measured at amortised cost					
Borrowings	35	**33,967**	**33,967**	13,228	13,228
Total		**33,967**	**33,967**	13,228	13,228

Dividends recognised in the consolidated statement of profit or loss for the financial instruments:

Financial assets	Notes	**2021 ¥ million**	2020 ¥ million
Dividends from equity investments held at FVTOCI	17		
Related to investments held at the end of the reporting period		**26**	29
Total		**26**	29

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

(a) Fair Value measurement

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

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

(ii) Rental deposits

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

(iii) Lease receivables

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

(iv) Financial liabilities

Financial liabilities which include borrowings are subsequently measured, by each liabilities classified by period, at present value discounted by the interest rate which takes into account duration and credit risk.

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

(b) Fair Value estimation

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

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

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

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

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

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

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

These instruments are included in level 1. Instruments included in level 1 comprise listed equity securities.

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

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

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

(c) Recognised fair value measurements

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

At 31 March 2021

Description	Fair value measurements using: Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	**2,047**	**–**	**–**	**2,047**
Listed securities in Japan	**491**	**–**	**–**	**491**
Others	**–**	**–**	**867**	**867**
Total	**2,538**	**–**	**867**	**3,405**

At 31 March 2020

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

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

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

(d) 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 prices or dealer quotes for similar instruments
- the use of discounted cash flow analysis

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

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

Changes in level 3 for the year ended 31 March 2021 and 2020:

	2021 **¥ million**	2020 ¥ million
Balance at beginning of the period	**876**	878
Profit/(Loss) in other comprehensive income	**4**	(2)
Purchases	**–**	–
Sales/Redemptions	**(13)**	(0)
Balance at end of the period	**867**	876

(f) Valuation inputs and relationship to fair value

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

Level 3 fair value measurements

			Fair value at	
Description	**Valuation technique**	**Unobservable inputs**	**31 Mar 2021** **¥ million**	31 Mar 2020 ¥ million
Unlisted equity securities and others	The adjusted net asset method	The investees net asset book value	**867**	876

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

(g) Valuation process

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

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

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

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

Following items are included within financial assets and liabilities which are not measured at fair value as at the reporting period.

At 31 March 2021

	Fair value measurements using:			
Description	**Level 1** **¥ million**	**Level 2** **¥ million**	**Level 3** **¥ million**	**Total** **¥ million**
Financial assets				
Financial assets measured at amortised cost				
Lease receivables	–	7,282	–	7,282
Rental deposits	–	6,338	–	6,338
Total	–	13,620	–	13,620
Financial liabilities				
Financial liabilities measured at amortised cost				
Borrowings	–	33,967	–	33,967
Total	–	33,967	–	33,967

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

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

At 31 March 2020

Description	Fair value measurements using: Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Financial assets				
Financial assets measured at amortised cost				
Lease receivables	–	7,615	–	7,615
Rental deposits	–	6,575	–	6,575
Total	–	14,190	–	14,190
Financial liabilities				
Financial liabilities measured at amortised cost				
Borrowings	–	13,228	–	13,228
Total	–	13,228	–	13,228

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

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

	2021 ¥ million	2020 ¥ million
Non-current assets		
Macau Legend Development Limited *1	**2,047**	1,557
Others	**1,358**	1,256
	3,405	2,813

*1 Listed equity security.

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

(ii) Disposal of equity investments

During the year ended 31 March 2021 and 2020, the Group did not have significant disposal of equity investment.

52. RELATED PARTY TRANSACTIONS

The Group has the following related party transactions for the year ended 31 March 2021 and 2020.

Related company	**Type of transaction**	**2021** **¥ million**	2020 ¥ million
Sato Aviation Capital Limited (i)	Old Cooperation Framework Agreement and 1st Supplemental Deed (ii)	**–**	17,058
	New Cooperation Framework Agreement and 2nd Supplemental Deed (iii)	**–**	–

(i) Sato Aviation Capital Limited is held 100% by Mr. Yoji SATO, key management personnel of the Company and the member of the Sato Family, the controlling shareholder (as defined in the Listing Rules) of the Company.

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

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

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

(iii) On 29 April 2020, the Group entered into the "2nd Supplemental Deed" to "Deed of Non-Competition "as amended by the above-mentioned "1st Supplemental Deed", in order to enable the Group to participate in a wider spectrum of opportunities for Aircraft Lease Business as well as benefit from the extensive experience and resources of the SAC Aircraft Leasing Members.

Further, on 29 April 2020, the Group has entered into with SAC Aircraft Leasing Members the "New Cooperation Framework Agreement". Pursuant to the "New Cooperation Framework Agreement", the Group and the SAC Aircraft Leasing Members have agreed to cooperate with each other in respect of wider business opportunities for the Aircraft Leasing Business.

On 24 June 2020, the general meeting of the Company considered and approved such transactions and the "Old Cooperation Framework Agreement" automatically terminated and was of no further force and effect.

The Group did not have transactions for the year ended 31 March 2021 and did not have balances as at 31 March 2021 from the "Old Cooperation Framework Agreement" and the "New Cooperation Framework Agreement".

The nature of the related party relationship and information about related parties transactions with Sato Aviation Capital Limited are disclosed in the"Report of the Directors" of this Annual Report.

53. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

54. BENEFITS AND INTEREST OF DIRECTORS

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

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

Name	Fees ¥ million	Salaries, allowances and benefits in kind ¥ million	Retirement benefit contributions scheme ¥ million	Discretionary bonus ¥ million	Total ¥ million
Year ended 31 March 2021					
Executive director					
Mr. Makoto Sakamoto					
(Chief executive officer) (i)	–	22.1	–	–	22.1
Non-executive director					
Mr. Yoji Sato	–	22.0	–	–	22.0
Mr. Kohei Sato (ii)	–	14.5	–	–	14.5
Mr. Akira Hosaka (i)	–	20.1	–	–	20.1
Mr. Tatsuji Fujimoto (i)	–	16.2	–	–	16.2
Mr. Noriaki Ushijima (i)	–	1.4	–	–	1.4
Independent non-executive director					
Mr. Ichiro Takano (i)	–	1.7	–	–	1.7
Mr. Mitsutoshi Kato	–	8.3	–	–	8.3
Mr. Thomas Chun Kee Yip	–	6.0	–	–	6.0
Mr. Kei Murayama	–	5.9	–	–	5.9
Mr. Kiyohito Kanda	–	6.8	–	–	6.8
Mr. Koji Kato (i)	–	4.5	–	–	4.5
Total	–	129.5	–	–	129.5

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

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

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

Notes:

(i) On 24 June 2020, Mr. Tatsuji FUJIMOTO retired as non-executive Director, chairman of the Board; Mr. Noriaki Ushijima retired as non-executive Director; Mr. Ichiro TAKANO retired as independent non-executive Director; Mr. Makoto SAKAMOTO was appointed as executive Director; chairman of the Board; Mr. Akira HOSAKA was appointed as non-executive Director; and Mr. Koji KATO was appointed as independent non-executive Director.

(ii) Mr. Kohei SATO resigned as chairman of the board and chief executive officer on 26 April 2020 and was re-designated to a non-executive director on 27 April 2020. Mr. Tatsuji FUJIMOTO was appointed as chairman of the board and Mr. Makoto SAKAMOTO was appointed as chief executive officer on 27 April 2020.

(iii) Save as disclosed above, there was no arrangement under which a director or chief executive officer waived or agreed to waive any emoluments during the year ended 31 March 2021 (2020: Nil).

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

(b) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 March 2021 (2020: Nil).

(c) Information about loans, quasi-loans and other dealings in favour of the director controlled bodies corporate by and connected entities with such director

No loans, quasi-loans and other dealings were made available in favour of the director, controlled bodies corporate by and connected entities with such director subsisted at the end of the year or at any time during the year 31 March 2021 (2020: Nil).

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 31 March 2021 (2020: Nil).

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 26 May 2021.

Definitions

In this report (other than the Independent Auditor's Report and Consolidated Financial Statements), unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Aircraft Lease Business" 航空機リース事業	the business of (a) acquisition of aircraft; (b) leasing of aircraft (including operating leases and finance leases (which include financing arrangements in sale and leaseback transactions)); and (c) disposal of aircraft
"Amusement Business Act" 風適法	the Act on Control and Improvement of Amusement Business etc. of Japan (Act No. 122 of 1948, as amended)
"Articles of Incorporation" 當社定款	articles of incorporation of the Company as amended and supplemented from time to time
"Beijing GEO" 北京GEO	Beijing GEO Coffee Co., Ltd., a company incorporated in the PRC with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
"Board" 當社取締役會	the board of Directors of the Company
"Business Partners" ビジネスパートナーズ	Business Partners Co., Ltd., a stock company incorporated in Japan with limited liability. Business Partners is a wholly-owned subsidiary of the Company
"Cabin Plaza" キャビンプラザ	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
"Code" CGコード	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act" 會社法	the Companies Act of Japan (Act No. 86 of 2005, as amended)
"Company" 當社	DYNAM JAPAN HOLDINGS Co., Ltd., a stock company incorporated in Japan with limited liability
"Director(s)" 當社取締役	the director(s) of the Company
"Dynam" ダイナム	DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company
"Dynam Aviation" ダイナムアビエーション	Dynam Aviation Ireland Limited., a company incorporated in the Republic of Ireland with limited liability. Dynam Aviation is a wholly-owned subsidiary of the Company

"Dynam Business Support" ダイナムビジネスサポート	Dynam Business Support Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam Business Support is a wholly-owned subsidiary of the Company
"Dynam Hong Kong" ダイナム香港	Dynam Hong Kong Co., Ltd., a stock company incorporated in Hong Kong with limited liability. Dynam Hong Kong is a wholly-owned subsidiary of the Company
"Erin International" エリンインターナショナル	Erin International Co., Ltd., a company incorporated in Mongolia with limited liability. Erin International is held as to 87.61% by the Company through Dynam Hong Kong
"Eurasia Foundation (from Asia)" 一般財團法人ユーラシア財團from Asia	Eurasia Foundation (from Asia), a general incorporated foundation established in Japan
"Genghis Khan" チンギスハーン旅行	Genghis Khan Travel Co., Ltd., a stock company incorporated in Japan with limited liability. Genghis Khan is held as to 100% by the Company through Dynam Business Support
"Group" 當社グループ又はDYJHグループ	the Company and its subsidiaries at the relevant time
"Hong Kong Stock Exchange" 香港證券取引所	The Stock Exchange of Hong Kong Limited
"Japan Real Estate" ジャパンリアルエステイト	Japan Real Estate Co., Ltd., a stock company incorporated in Japan with limited liability. Japan Real Estate was held as to 100% by the Company through Yume Corporation until it was dissolved after merging with Yume Corporation on 1 April 2020
"Kanto Daido" 関東大同販売	Kanto Daido Selling Co., Ltd., a stock company incorporated in Japan with limited liability. Kanto Daido is held as to 100% by the Company through Dynam Business Support
"Listing Rules" 上場規則	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Main Board" メインボード	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent of and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Model Code" モデルコード	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Yoji SATO" 佐藤洋治氏	one of the Directors of the Company and also the director and majority shareholder of SAC

Definitions

'Nihon Humap" 日本ヒュウマップ	Nihon Humap Co., Ltd., a stock company incorporated in Japan with limited liability. Nihon Humap is a wholly-owned subsidiary of the Company
"P Insurance" ピーインシュアランス	P Insurance Co., Ltd., a stock company incorporated in Japan with limited liability. P Insurance is held as to 100% by the Company through Dynam Business Support
"PRC" 中國	The People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Reporting Period" 報告對象期間	the period from 1 April 2020 to 31 March 2021
"Rich-O" リッチオ	Rich-O Co., Ltd., a stock company incorporated in Japan with limited liability
"Rich-O Korea" リッチオコリア	Rich-O Korea Co., Ltd., a company incorporated in South Korea with limited liability. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
"SAC" SAC	Sato Aviation Capital Limited, a company incorporated in Hong Kong with limited liability, being held as to 100% by Mr. Yoji SATO
"SAC Aircraft Leasing Member(s)" SAC航空機リースメンバー	SAC and/or SAIL as the context requires
"SAIL" SAIL	Sato Aviation Ireland Limited, a company incorporated in the Republic of Ireland with limited liability, being held as to 100% by Mr. Yoji SATO through SAC
"SFO" 證券先物條例	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)" 當社株式	ordinary share(s) in the issued share capital of the Company
"Shareholder(s)" 當社株主	holder(s) of the issued Share(s)
"Yume Corporation" 夢コーポレーション	Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company

DYNAM JAPAN HOLDINGS Co., Ltd.*