



DYJH

Interim 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.

Interim Report 2021



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



Corporate **Philosophy**

A CENTURIAL COMMITMENT TO BUILDING TRUST AND ENCOURAGING DREAMS

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

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

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

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

FIVE MANAGEMENT POLICIES

1

Principle of Customers First

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

2

Information Disclosure

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

3

Chain Store Management

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

4

Training of Human Resources

The Group trains human resources and uses their collective energy.

5

Social Contribution

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

THREE PRINCIPLES OF ACTIONS

1

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

2

The Group takes decisive actions and values team work.

3

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

Corporate Information

MEMBERS OF THE BOARD AND COMMITTEES

As of 30 September 2021

MEMBERS OF THE BOARD

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

COMMITTEES

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

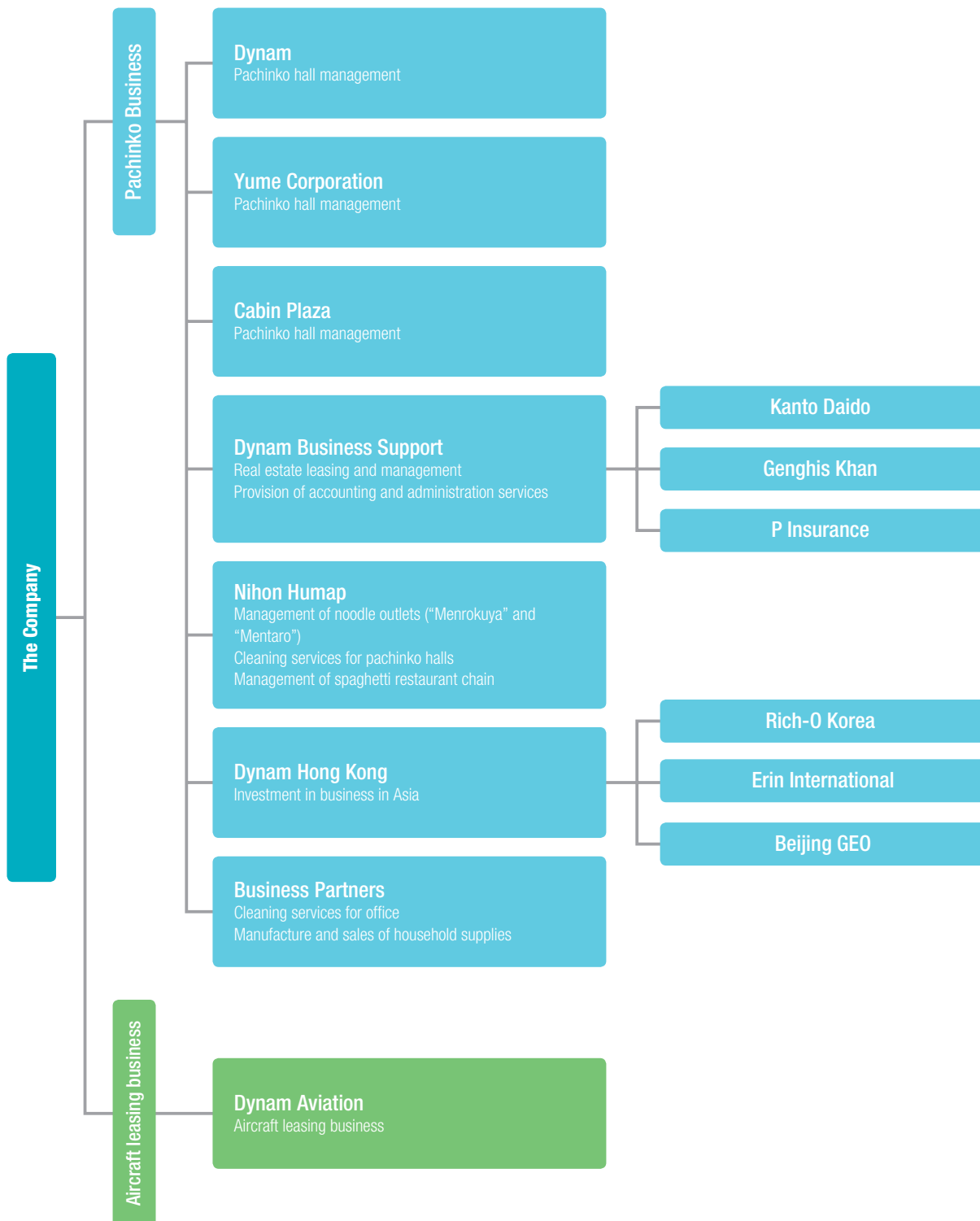
Corporate Information

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

OUR GROUP ORGANISATION

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

As at 30 September 2021



Corporate Information

PACHINKO BUSINESS

PACHINKO HALL OPERATION AS OUR CORE BUSINESS

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

The Group operates the industry's largest pachinko hall network with 438 halls as at the end of September 2021.

Pachinko Game Play Summary

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

Pachinko and pachislot machines

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

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

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

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

Prizes

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

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



Prize display area

AIRCRAFT LEASING BUSINESS

NEW BUSINESS FOR SUSTAINABLE GROWTH

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

Dynam Aviation

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



Financial Highlights

	Six months ended 30 September			
	2021 (unaudited)		2020 (unaudited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Gross pay-ins	255,403	17,761	219,663	16,092
Less: gross payouts	(205,264)	(14,274)	(174,408)	(12,777)
Revenue from pachinko business	50,139	3,487	45,255	3,315
Revenue from aircraft leasing business	758	53	737	54
Revenue	50,897	3,540	45,992	3,369
Pachinko business expenses	(44,791)	(3,115)	(46,396)	(3,399)
Aircraft leasing expenses	(464)	(32)	(444)	(32)
General and administrative expenses	(2,004)	(139)	(2,082)	(153)
Other income	5,025	349	6,142	450
Other operating expenses	(1,949)	(136)	(431)	(32)
Operating profit	6,714	467	2,781	203
Finance income	156	11	154	11
Finance expenses	(1,284)	(89)	(1,458)	(107)
Profit before income taxes	5,586	389	1,477	107
Income taxes	(2,170)	(151)	(788)	(58)
Net profit for the period	3,416	238	689	49
Net profit attributable to:				
Owners of the Company	3,420	238	698	50
Non-controlling interests	(4)	(0)	(9)	(1)
	3,416	238	689	49
Earnings per share				
Basic	¥4.59	HK\$0.3	¥0.91	HK\$0.1
Diluted	¥4.59	HK\$0.3	¥0.91	HK\$0.1
EBITDA ^(*)	11,187	778	7,854	575

* EBITDA is defined as earnings before finance costs, taxation, depreciation (excluding depreciation for pachinko and pachislot machines), amortisation, and net foreign exchange gain or loss.

	30 September 2021 (unaudited)		31 March 2021 (audited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Non-current assets	224,751	15,629	209,283	14,697
Current assets	62,120	4,320	91,790	6,446
Current liabilities	50,813	3,534	59,812	4,200
Net current assets	11,307	786	31,978	2,246
Total assets less current liabilities	236,058	16,415	241,261	16,943
Non-current liabilities	104,735	7,283	109,289	7,675
Total equity	131,323	9,132	131,972	9,268

CURRENCY TRANSLATIONS

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

1. ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021).
2. ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020).
3. ¥14.24 to HK\$1.00, the exchange rate prevailing on 31 March 2021 (i.e. the last business day in March 2021).

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.

Business Overview

PACHINKO BUSINESS

▶ Initiatives to Realise 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 realise 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 realising 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 standardised halls and acquiring other pachinko hall operators into the Group to drive an increase in the number of halls.

▶ Opening new standardised halls

The Group is controlling its initial opening costs by standardising 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.

■ Standardising hall specifications

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

■ Wood-frame halls on land leased for 20 years

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

▶ Acquiring other pachinko hall operators into the Group

Making the most of its advantage as a listed company, the Group implements schemes such as share exchanges to acquire other pachinko hall operators into the Group and expand its network of

halls. As an example, the Company acquired Yume Corporation into the Group through share exchange on 1 November 2015.

Low-cost operations

By reaping the benefits of the economies of scale, the Group has been promoting low cost operations. The Group controls the cost of hall operations by utilising second-hand gaming machines, proper placement of distribution centers and utilisation of ICT.

▶ Using second-hand gaming machines and establishing distribution centers

The Group not only installs the newest and most popular hit models of gaming machines, but also an array of second-hand ones procured at low cost in its halls. The Group has established 16 distribution centers throughout Japan, each of which covers the logistical needs and

facilitates the sharing of gaming machines among halls. The gaming machines installed in the halls are centrally managed according to coverage area by these distribution centers. The centers help the Group to flexibly manage the lineup of gaming machines in the halls.

▶ Use of ICT (Information and Communication Technology)

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 is applied strategically to streamline and reduce the cost of corporate functions including hall management, formulation of marketing strategies, personnel administration and accounting.

Business Overview

AIRCRAFT LEASING BUSINESS

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

BUSINESS ENVIRONMENT

During the reporting period, the impact of the novel coronavirus infection continued, but passenger demand gradually recovers as vaccination progressed in each country. In such an environment, demand for aircraft leasing, which plays an important role in providing funds and liquidity to airlines, is on a recovery trend and is expected to increase in the medium term.

RECENT ACTIVITIES

As of 30 September 2021, the Company had 3 owned aircrafts, the aggregate net book value of the aircrafts was ¥15,862 million, the weighted average age was 2.6 years, the weighted average remaining lease term was 4.1 years.

The composition of the owned aircraft and committed aircraft as of 30 September 2021:

Aircraft type	Owned aircraft	Committed aircraft	Total
Airbus A320-200	1	–	1
Airbus A320neo	1	–	1
Airbus A321neo	1	–	1
Total	3	–	3

For the six months ended 30 September 2021, there was no purchase, sold and disposal of aircraft.

There was no deferral of lease payments and the average lease rental yield of the operating lease business was 8.8%. There was no revenue from the finance lease business.

On 26 October 2021, after the end of the reporting period, the Company had a contract to acquire three airbus A321neo aircrafts. It is estimated that two of the aircrafts will be delivered in the second quarter of 2022, one of the aircrafts will be delivered in the third quarter of 2022.

Financial Review

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

	Six months ended 30 September				
	2021		2020		changes ⁽³⁾
	(unaudited)		(unaudited)		
	(in millions, except for percentages)				
¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾		
Gross pay-ins					
— High playing cost halls	143,701	9,993	119,258	8,737	20.5%
— Low playing cost halls	111,702	7,768	100,405	7,355	11.3%
Total gross pay-ins	255,403	17,761	219,663	16,092	16.3%
Gross payouts					
— High playing cost halls	119,019	8,277	97,501	7,143	22.1%
— Low playing cost halls	86,245	5,997	76,907	5,634	12.1%
Total gross payouts	205,264	14,274	174,408	12,777	17.7%
Revenue from pachinko business					
— High playing cost halls	24,682	1,716	21,757	1,594	13.4%
— Low playing cost halls	25,457	1,771	23,498	1,721	8.3%
Total revenue from pachinko business	50,139	3,487	45,255	3,315	10.8%
Revenue from aircraft leasing business	758	53	737	54	2.8%
Total revenue	50,897	3,540	45,992	3,369	10.7%

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021).

⁽²⁾ Translated into Hong Kong dollars at the rate of ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020).

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

Financial Review

FINANCIAL REVIEW

The consolidated financial results of the Group for the six months ended 30 September 2021 were as follows.

Consolidated revenue of the pachinko business and the aircraft leasing business was ¥50,897 million (equivalent to approximately HK\$3,540 million), 110.7% of the same period of the previous year. Consolidated operating profit was ¥6,714 million (equivalent to approximately HK\$467 million), 241.4% of the same period of the previous year. Consolidated net profit for the period was ¥3,416 million (equivalent to approximately HK\$238 million), 495.8% of the same period of the previous year. Consolidated revenue and profits for the six months ended 30 September 2021 increased significantly from the same period of the previous year.

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

PACHINKO BUSINESS

During the six months ended 30 September 2021, there was no suspension of pachinko hall operation like the one the whole pachinko industry had grappled with in April and May 2020 and a hike in operating revenues from the previous interim period was secured as a result. However, due to a high prevalence of the coronavirus variant, the declaration of state of emergency and quasi-declaration of state of emergency were often issued chiefly in urban areas, the extension of which period was repeated.

When it comes to pachinko industry, the recovery rate of operating revenue from the fiscal year ended 31 March 2020 before the outbreak of the novel coronavirus still remains at around 70% to 80% level despite operating continuously with thorough measures to contain the outbreak of the virus. From this interim period onwards, although operating revenues are expected to increase due to an ease of the restrictions on activities and so forth depending upon the progress of vaccination, the situation surrounding our industry continues to be uncertain.

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

GROSS PAY-INS

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

Our gross pay-ins was ¥219,663 million (equivalent to approximately HK\$16,092 million) and ¥255,403 million (equivalent to approximately HK\$17,761 million) for the six months ended 30 September 2020 and 2021 respectively.

The increase was primarily due to an increase in utilisation of our machines in connection with a recovery from the outbreak of the novel coronavirus (Covid-19) during this interim period.

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

Gross pay-ins for high playing cost halls increased by ¥24,443 million (equivalent to approximately HK\$1,700 million*), or 20.5%*, from ¥119,258 million (equivalent to approximately HK\$8,737 million) for the six months ended 30 September 2020 to ¥143,701 million (equivalent to approximately HK\$9,993 million) for the six months ended 30 September 2021.

Gross pay-ins for low playing cost halls increased by ¥11,297 million (equivalent to approximately HK\$786 million*), or 11.3%*, from ¥100,405 million (equivalent to approximately HK\$7,355 million) for the six months ended 30 September 2020 to ¥111,702 million (equivalent to approximately HK\$7,768 million) for the six months ended 30 September 2021.

GROSS PAYOUTS

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

Our gross payouts was ¥174,408 million (equivalent to approximately HK\$12,777 million) and ¥205,264 million (equivalent to approximately HK\$14,274 million) for the six months ended 30 September 2020 and 2021 respectively.

The increase was primarily due to an increase in gross pay-ins during this interim period.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls increased by ¥21,518 million (equivalent to approximately HK\$1,496 million*), or 22.1%*, from ¥97,501 million (equivalent to approximately HK\$7,143 million) for the six months ended 30 September 2020 to ¥119,019 million (equivalent to approximately HK\$8,277 million) for the six months ended 30 September 2021.

Gross payouts for low playing cost halls increased by ¥9,338 million (equivalent to approximately HK\$649 million*), or 12.1%*, from ¥76,907 million (equivalent to approximately HK\$5,634 million) for the six months ended 30 September 2020 to ¥86,245 million (equivalent to approximately HK\$5,997 million) for the six months ended 30 September 2021.

REVENUE FROM PACHINKO BUSINESS AND REVENUE MARGIN

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

Our revenue from pachinko business increased by ¥4,884 million (equivalent to approximately HK\$340 million*), or 10.8%*, from ¥45,255 million (equivalent to approximately HK\$3,315 million) for the six months ended 30 September 2020 to ¥50,139 million (equivalent to approximately HK\$3,487 million) for the six months ended 30 September 2021.

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

Revenue from pachinko business for high playing cost halls increased by ¥2,925 million (equivalent to approximately HK\$203 million*), or 13.4%*, from ¥21,757 million (equivalent to approximately HK\$1,594 million) for the six months ended 30 September 2020 to ¥24,682 million (equivalent to approximately HK\$1,716 million) for the six months ended 30 September 2021. The revenue margin for the six months ended 30 September 2021 decreased by 1.0 point* to 17.2% as compared with the previous interim period.

Revenue from pachinko business for low playing cost halls increased by ¥1,959 million (equivalent to approximately HK\$136 million*), or 8.3%*, from ¥23,498 million (equivalent to approximately HK\$1,721 million) for the six months ended 30 September 2020 to ¥25,457 million (equivalent to approximately HK\$1,771 million) for the six months ended 30 September 2021. The revenue margin for the six months ended 30 September 2021 decreased by 0.6 point* to 22.8% as compared with the previous interim period.

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

Financial Review

PACHINKO BUSINESS EXPENSES

Pachinko business expenses for the six months ended 30 September 2021 was ¥44,791 million (equivalent to approximately HK\$3,115 million), recording a decrease by ¥1,605 million (equivalent to approximately HK\$112 million*), or 3.5%* as compared to the previous interim period.

The decrease was primarily due to the cost reduction of our pachinko business expenses we continuously worked on during this interim period.

Our pachinko business expenses by hall type are as follows.

Pachinko business expenses for high playing cost halls decreased by ¥1,046 million (equivalent to approximately HK\$73 million*), or 4.9%*, from ¥21,297 million (equivalent to approximately HK\$1,560 million) for the six months ended 30 September 2020 to ¥20,251 million (equivalent to approximately HK\$1,408 million) for the six months ended 30 September 2021.

Pachinko business expenses for low playing cost halls decreased by ¥559 million (equivalent to approximately HK\$39 million*), or 2.2%*, from ¥25,099 million (equivalent to approximately HK\$1,839 million) for the six months ended 30 September 2020 to ¥24,540 million (equivalent to approximately HK\$1,707 million) for the six months ended 30 September 2021.

AIRCRAFT LEASING BUSINESS

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

REVENUE FROM AIRCRAFT LEASING BUSINESS

Revenue from aircraft leasing business increased by ¥21 million (equivalent to approximately HK\$1 million*), or 2.8%*, from ¥737 million (equivalent to approximately HK\$54 million) for the six months ended 30 September 2020 to ¥758 million (equivalent to approximately HK\$53 million) for the six months ended 30 September 2021.

AIRCRAFT LEASING EXPENSES

Aircraft leasing expenses increased by ¥20 million (equivalent to approximately HK\$1 million*), or 4.5%*, from ¥444 million (equivalent to approximately HK\$32 million) for the six months ended 30 September 2020 to ¥464 million (equivalent to approximately HK\$32 million) for the six months ended 30 September 2021.

The increase of aircraft leasing expenses was primarily due to the increased labor cost for strengthening the Group.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥78 million (equivalent to approximately HK\$5 million*), or 3.7%*, from ¥2,082 million (equivalent to approximately HK\$153 million) for the six months ended 30 September 2020 to ¥2,004 million (equivalent to approximately HK\$139 million) for the six months ended 30 September 2021.

OTHER INCOME

Other income decreased by ¥1,117 million (equivalent to approximately HK\$78 million*), or 18.2%*, from ¥6,142 million (equivalent to approximately HK\$450 million) for the six months ended 30 September 2020 to ¥5,025 million (equivalent to approximately HK\$349 million) for the six months ended 30 September 2021.

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

OTHER OPERATING EXPENSES

Other operating expenses increased by ¥1,518 million (equivalent to approximately HK\$106 million*), or 352.2%*, from ¥431 million (equivalent to approximately HK\$32 million) for the six months ended 30 September 2020 to ¥1,949 million (equivalent to approximately HK\$136 million) for the six months ended 30 September 2021.

The increase was primarily due to an increase in impairment loss of property, plant and equipment.

FINANCE INCOME

Finance income increased by ¥2 million (equivalent to approximately HK\$0 million*), from ¥154 million (equivalent to approximately HK\$11 million) for the six months ended 30 September 2020 to ¥156 million (equivalent to approximately HK\$11 million) for the six months ended 30 September 2021.

FINANCE EXPENSES

Finance expenses decreased by ¥174 million (equivalent to approximately HK\$12 million*), from ¥1,458 million (equivalent to approximately HK\$107 million) for the six months ended 30 September 2020 to ¥1,284 million (equivalent to approximately HK\$89 million) for the six months ended 30 September 2021.

The decrease was primarily due to a decrease in foreign currency exchange loss.

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

Financial Review

CASH FLOW

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

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

	Six months ended 30 September			
	2021		2020	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Net cash generated from operating activities	10,519	732	13,363	979
Net cash used in investing activities	(23,115)	(1,607)	(1,207)	(89)
Net cash generated (used in)/from financing activities	(10,865)	(755)	14,068	1,031
Effects of exchange rate changes on cash and cash equivalents	49	2	(194)	(14)
Net (decrease)/increase in cash and cash equivalents	(23,412)	(1,628)	26,030	1,907
Cash and cash equivalents at the beginning of period	74,661	5,192	41,810	3,063
Cash and cash equivalents at the end of period	51,249	3,564	67,840	4,970

Net cash generated from operating activities

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

	Six months ended 30 September			
	2021		2020	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Operating profit before working capital changes	20,419	1,420	12,878	943
Change in working capital	(5,577)	(388)	1,666	122
Cash generated from operations	14,842	1,032	14,544	1,065
Income taxes paid	(3,152)	(219)	(28)	(2)
Finance expenses paid	(1,171)	(81)	(1,153)	(84)
Net cash generated from operating activities	10,519	732	13,363	979

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021).

⁽²⁾ Translated into Hong Kong dollars at the rate of ¥13.65 to HK\$1.00, the exchange rate prevailing on 30 September 2020 (i.e. the last business day in September 2020).

Our net cash generated from operating activities was ¥10,519 million (equivalent to approximately HK\$732 million) for the six months ended 30 September 2021.

A movement in our net cash generated from operating activities was primarily due to an increase in operating profit before working capital changes.

Net cash used in investing activities

Our cash used in investing activities primarily consists of capital expenditures for pachinko and pachislot machines, property, plant and equipment, including freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles and construction in progress. Net cash used in investing activities was ¥23,115 million (equivalent to approximately HK\$1,607 million) for the six months ended 30 September 2021. The cash outflow for the six months ended 30 September 2021 was primarily due to the purchase of property, plant and equipment.

Net cash used in financing activities

Our cash used in financing activities primarily consists of acquisition of treasury shares, dividends paid to shareholders of the Company (the “Shareholders”) and repayment of bank borrowings, and lease payables.

Net cash used in financing activities was ¥10,865 million (equivalent to approximately HK\$755 million) for the six months ended 30 September 2021.

The increase in net cash used in financing activities for the six months ended 30 September 2021 was primarily due to cash outflow by repayment of bank loans in the amount of ¥6,770 million (equivalent to approximately HK\$470 million), repayment of leases payables in the amount of ¥5,353 million (equivalent to approximately HK\$372 million), acquisition of treasury shares in the amount of ¥2,241 million (equivalent to approximately HK\$156 million) and dividend payment in the amount of ¥1,505 million (equivalent to approximately HK\$105 million), while cash inflow by raising of bank loans in the amount of ¥5,004 million (equivalent to approximately HK\$348 million).

Financial Review

LIQUIDITY

Net current assets and working capital sufficiency

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

	30 September 2021 (unaudited)		31 March 2021 (audited)	
	¥	(in millions) HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Current assets				
Inventories	1,201	84	5,080	357
Trade receivables	335	23	361	25
Lease receivables	1,982	138	2,007	141
Prizes in operation of pachinko halls	3,476	242	3,685	259
Income tax receivables	338	24	3,172	223
Other current assets	3,539	245	2,824	198
Cash and cash equivalents	51,249	3,564	74,661	5,243
	62,120	4,320	91,790	6,446
Current liabilities				
Trade and other payables	14,715	1,023	19,997	1,404
Borrowings	13,245	921	11,380	799
Lease payables	11,567	804	12,040	846
Provisions	1,447	101	1,653	116
Income taxes payables	795	55	6,215	436
Other current liabilities	9,044	630	8,527	599
	50,813	3,534	59,812	4,200
Net current assets	11,307	786	31,978	2,246

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021).

⁽²⁾ 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).

As at 31 March 2021 and 30 September 2021, our net current assets totaled ¥31,978 million (equivalent to approximately HK\$2,246 million) and ¥11,307 million (equivalent to approximately HK\$786 million), respectively, and our current ratio was 1.5 and 1.2, respectively.

CAPITAL EXPENDITURE

Pachinko business

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

During the six months ended 30 September 2021, the Group acquired pachinko and pachislot machines of ¥25,332 million (equivalent to approximately HK\$1,762 million) as a result of the adoption of a new accounting policy for recording pachinko and pachislot machines as property, plant and equipment to be depreciated over 2 years from this consolidated fiscal year on.

Aircraft leasing business

During the six months ended 30 September 2021, the Group didn't acquire new aircraft related to the aircraft leasing business.

As a result, during the six months ended 30 September 2021, the Group acquired property, plant and equipment of ¥28,109 million (equivalent to approximately HK\$1,955 million) (2020: ¥1,155 million, equivalent to approximately HK\$85 million).

CONTINGENT LIABILITIES

As at 30 September 2021, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The information on capital commitments is provided in Note 14 to the interim condensed consolidated financial information on page 51 of this interim report.

ACQUISITION AND SALE

For the six months ended 30 September 2021, there was no material acquisition and sale of any of our subsidiaries.

SIGNIFICANT INVESTMENTS

Pachinko Business

Save for the capital expenditure of pachinko business, set out in **CAPITAL EXPENDITURE** in the paragraph above, we did not have any significant investments during the six months ended 30 September 2021.

Aircraft Leasing Business

We did not have any significant investments during the six months ended 30 September 2021.

EMPLOYEES

As at 30 September 2021, we had approximately 14,613 employees (31 March 2021: 16,104). We will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution and housing fund schemes.

Financial Review

CAPITAL STRUCTURE

Principal sources of funds

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

Indebtedness

Our short-term and long-term borrowings outstanding as at 30 September 2021 were ¥13,245 million (equivalent to approximately HK\$921 million) and ¥19,097 million (equivalent to approximately HK\$1,328 million), respectively.

These borrowings of the Group include short-term borrowings of ¥1,184 million (equivalent to approximately HK\$82 million) and long-term borrowings of ¥8,711 million (equivalent to approximately HK\$606 million) related to the aircraft leasing business.

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

Loan facilities

As at 30 September 2021, the Group had a total amount of approximately ¥36,000 million (equivalent to approximately HK\$2,503 million) of banking facilities and an installment facility available to us, of which approximately ¥31,970 million (equivalent to approximately HK\$2,223 million) was unutilised.

The overview of our loan facilities is as follows.

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

This commitment line provides a revolving loan facility in the amount of up to ¥15,000 million (equivalent to approximately HK\$1,043 million). The commitment of the lenders to provide loans under the revolving loan facility is available for the period from 30 December 2014, the execution date of the original loan agreement, to 29 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 contract with a bank in the amount of ¥3,000 million (equivalent to approximately HK\$209 million). On 31 August 2021, the amount available was increased up to ¥5,000 million (equivalent to approximately HK\$348 million) by the renewal of the contract, which is available to 31 August 2022.

On 30 September 2020, Dynam also entered into an installment facility contract with a syndicate of leasing companies in the amount of up to ¥15,000 million (equivalent to approximately HK\$1,043 million) for the purpose of procurement of pachinko and pachislot machines. On 30 September 2021, the loan facility was renewed. As a result, it is available for another year period from the date of the renewal.

* Tokyo Interbank Offered Rate

FINANCIAL RISK MANAGEMENT

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

Market risk

Foreign currency risk

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

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

Price risk

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

Interest rate risk

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

Credit risk

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

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

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

Liquidity risk

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

Financial Review

SIGNIFICANT SUBSEQUENT EVENT

Purchase and Leasing Arrangement of Three Aircrafts

A subsidiary of Dynam Aviation entered into the Aircraft Sale and Lease Agreement on 26 October 2021. Please refer to Note 21 to the interim condensed consolidated financial information on page 59 of this Interim Report for more detail.

Significant Loan agreement

The Group entered into a loan agreement on 29 October 2021. Please refer to Note 21 to the interim condensed consolidated financial information on page 59 of this Interim Report for more detail.

Other Information

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

As at the end of the period from 1 April 2021 to 30 September 2021 (the "Reporting Period"), the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")), which should be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or was required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, are as follows:

(i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares ⁽¹⁾	Approximate Percentage of Interests in the Company ⁽²⁾
Mr. Yoji SATO	Interest of controlled corporations ⁽³⁾	273,632,560	
	Interest of spouse ⁽³⁾	760	
	Other ⁽⁴⁾	171,171,800	
		444,805,120	60.807%
Mr. Kohei SATO	Beneficial Owner	53,639,680	
	Interest of spouse ⁽⁵⁾	1,500,000	
	Other ⁽⁴⁾	389,665,440	
		444,805,120	60.807%
Mr. Makoto SAKAMOTO	Beneficial Owner	22,000	0.003%
Mr. Akira HOSAKA	Beneficial Owner	78,121	0.011%

Other Information

Notes:

- (1) All interests stated are long positions.
- (2) There were 731,505,896 Shares in issue as at the end of the Reporting Period.
- (3) Out of the total 273,632,560 Shares, SAC, which is wholly-owned and controlled by Mr. Yoji SATO, is beneficially interested in 177,822,560 Shares. Rich-O is beneficially interested in remaining 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by Eurasia Foundation (from Asia) Limited which is also wholly-owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.
- (4) Each of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), and Mr. Kohei SATO (brother of Mr. Yoji SATO) (collectively, the "Sato Family Members") is a party acting in concert with Mr. Yoji SATO, SAC and Rich-O and each other to obtain or consolidate the holding of 30% or more of the Company, and is therefore deemed to be interested in the Shares in which Mr. Yoji SATO or any other Sato Family Member is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which any Sato Family Member is interested.
- (5) Mrs. Shizuka SATO, Mr. Kohei SATO, 's wife, is beneficially interested in 1,500,000 Shares, and such interests are deemed to be Mr. Kohei SATO's interests under the SFO.

(ii) Interests in the associated corporation

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

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

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

As at the end of the Reporting Period, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company 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	37.407%
Rich-O	Beneficial owner ⁽³⁾	95,810,000	13.098%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	10.936%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse ⁽⁴⁾	273,632,560	
	Other ⁽⁷⁾	171,171,800	
		444,805,120	60.807%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation ⁽⁵⁾	14,580,104	
	Other ⁽⁷⁾	410,645,440	
		444,805,120	60.807%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other ⁽⁷⁾	403,829,440	
		444,805,120	60.807%
Mrs. Yaeko NISHIWAKI	Beneficial owner	20,379,576	
	Interest of controlled corporation ⁽⁶⁾	20,517,184	
	Other ⁽⁷⁾	403,908,360	
		444,805,120	60.807%
Mrs. Shizuka SATO	Beneficial owner	1,500,000	
	Interest of spouse ⁽⁸⁾	53,639,680	
		55,139,680	7.538%

Other Information

Notes:

- (1) All interests stated are long positions.
- (2) There were 731,505,896 Shares in issue as at the end of the Reporting Period.
- (3) See Note (3) on page 26 of this interim report.
- (4) Mr. Yoji SATO is Mrs. Keiko SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.
- (5) LAPULE, Ltd., which is wholly-owned and controlled by Mr. Masahiro SATO, is beneficially interested in 14,580,104 Shares and such interests are deemed to be Mr. Masahiro SATO's interests under the SFO.
- (6) N. Company Co., Ltd., which is wholly-owned and controlled by Mrs. Yaeko NISHIWAKI, is beneficially interested in 20,517,184 Shares and such interests are deemed to be Mrs. Yaeko NISHIWAKI's interests under the SFO.
- (7) See Note (4) on page 26 of this interim report.
- (8) Mr. Kohei SATO is Mrs. Shizuka SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code Provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive should be performed by different individuals. During the Reporting Period, Mr. Makoto SAKAMOTO has been in both roles.

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

Code Provision E.1.3

Code provision E.1.3 stipulates that the notice for an annual general meeting (the "AGM") should be sent to shareholders by issuer at least 20 clear business days before the meeting. The AGM of the Company for the year ended 31 March 2021 was held on 24 June 2021, while the AGM notice was despatched on 2 June 2021. The above arrangement complied with the articles of incorporation of the Company in respect of the minimum notice period of 21 calendar days but the AGM notice period was less than 20 clear business days before the AGM.

Under the Companies Act of Japan (Act No. 86 of 2005, as amended and supplemented from time to time) (the "Companies Act") and the articles of incorporation of the Company, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2021). The Companies Act also requires that the notice for the AGM be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report of the Company must contain audited financial statements prepared under the International Financial Reporting Standards as required under the Listing Rules. As a result, more time was required to finalize the annual report which accompanied the AGM notice being despatched to the Shareholders.

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

The Company has adopted the Model Code and the “Rules on Prevention of Insider Dealings” as a code of conduct regarding Directors’ transactions of the listed securities of the Company. The “Rules on Prevention of Insider Dealings”, in addition to the Model Code, has been formulated and adopted by the Company on 1 April 2014 for Directors and employees of the Company who are likely to have access to unpublished inside information of the Group (last amended on 1 June 2021). The Company has made specific enquiry to all of the Directors, and all of the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the “Rules on Prevention of Insider Dealings” throughout the Reporting Period.

AUDIT COMMITTEE’S REVIEW OF FINANCIAL STATEMENTS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

INTERIM DIVIDENDS

The Board declared an interim dividend of ¥2.40 per ordinary Share in respect of the Reporting Period, payable on 12 January 2022 to the Shareholders whose names appear on the Company’s share register as at the close of business on 13 December 2021. Based on the assumption that 731,505,896 Shares shall be in issue as at 13 December 2021, it is expected that the interim dividend payable will amount to approximately ¥1,756 million (equivalent to approximately HK\$122 million).

In the case when the dividends are distributed to the Shareholders in Hong Kong dollars, the exchange rate for the conversion of Japanese yen to Hong Kong dollar are based on the average currency rates prevailing five business days immediately before 24 November 2021.

Other Information

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\$
June 2021	3,726,600	7.28	7.01	26,921,078
July 2021	5,242,600	7.45	7.10	38,420,578
August 2021	8,270,000	7.64	7.08	61,553,048
September 2021	3,956,200	8.18	7.51	30,967,874
	21,195,400			157,862,578

All of the above-described Shares repurchased were subsequently cancelled. The number of issued shares of the Company as of 30 September 2021 was 731,505,896.

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

On behalf of the Board
Makoto SAKAMOTO
Chairman of the Board

24 November 2021

Report on Review of the Interim Condensed Consolidated Financial Information



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

(Incorporated in Japan with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 32 to 59, which comprises the interim condensed consolidated statement of financial position of Dynam Japan Holdings Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2021 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers Aarata LLC

Certified Public Accountants

Japan, 24 November 2021

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Interim Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	Six months ended 30 September	
		2021 ¥ million (unaudited)	2020 ¥ million (unaudited)
Revenue	4	50,897	45,992
Revenue from pachinko business		50,139	45,255
Revenue from aircraft leasing business		758	737
Pachinko business expenses	6	(44,791)	(46,396)
Aircraft leasing expenses	7	(464)	(444)
General and administrative expenses		(2,004)	(2,082)
Other income	8	5,025	6,142
Other operating expenses	9	(1,949)	(431)
Operating profit		6,714	2,781
Finance income	10	156	154
Finance expenses	11	(1,284)	(1,458)
Profit before income taxes		5,586	1,477
Income taxes	12	(2,170)	(788)
Net profit for the period		3,416	689
Attributable to:			
Owners of the Company		3,420	698
Non-controlling interests		(4)	(9)
		3,416	689
Earnings per share			
Basic (expressed in ¥)	19	4.59	0.91
Diluted (expressed in ¥)	19	4.59	0.91

Interim Condensed Consolidated Statement of **Comprehensive Income**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	Six months ended 30 September	
		2021	2020
		¥ million	¥ million
		(unaudited)	(unaudited)
Net profit for the period		3,416	689
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of financial assets measured at fair value through other comprehensive income		(504)	405
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		1	(7)
		(503)	398
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		184	(538)
		184	(538)
Other comprehensive income for the period, net of tax		(319)	(140)
Total comprehensive income for the period		3,097	549
Attributable to:			
Owners of the Company		3,101	557
Non-controlling interests		(4)	(8)
		3,097	549

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2021

	Note	At 30 September 2021 ¥ million (unaudited)	At 31 March 2021 ¥ million (audited)
Non-current assets			
Property, plant and equipment	13, 14	115,673	96,415
Right-of-use assets		75,728	77,537
Investment properties		2,730	2,619
Intangible assets		3,191	3,348
Financial assets measured at fair value through other comprehensive income		2,951	3,405
Lease receivables		5,529	5,275
Deferred tax assets		11,833	13,412
Other non-current assets		7,116	7,272
		224,751	209,283
Current assets			
Inventories		1,201	5,080
Trade receivables	15	335	361
Lease receivables		1,982	2,007
Prizes in operation of pachinko halls		3,476	3,685
Income taxes receivables		338	3,172
Other current assets		3,539	2,824
Cash and cash equivalents		51,249	74,661
		62,120	91,790
TOTAL ASSETS		286,871	301,073
Current liabilities			
Trade and other payables	16	14,715	19,997
Borrowings		13,245	11,380
Lease payables		11,567	12,040
Provisions		1,447	1,653
Income taxes payables		795	6,215
Other current liabilities		9,044	8,527
		50,813	59,812

	Note	At 30 September 2021 ¥ million (unaudited)	At 31 March 2021 ¥ million (audited)
Net current assets		11,307	31,978
Total assets less current liabilities		236,058	241,261
Non-current liabilities			
Deferred tax liabilities		78	56
Borrowings		19,097	22,587
Lease payables		78,817	79,899
Other non-current liabilities		1,159	1,150
Provisions		5,584	5,597
		104,735	109,289
NET ASSETS		131,323	131,972
Capital and reserves			
Share capital		15,000	15,000
Capital reserve		9,063	11,304
Retained earnings		109,019	107,104
Other components of equity		(1,722)	(1,403)
Equity attributable to owners of the Company		131,360	132,005
Non-controlling interests		(37)	(33)
TOTAL EQUITY		131,323	131,972

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Treasury shares	Retained earnings	Other components of equity			Total	Total	Non-controlling interests	Total equity
					Fair value of financial assets at FVTOCI	Foreign currency translation reserve	Other reserves				
					¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)				
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 period	–	–	–	698	–	–	–	–	698	(9)	689
Other comprehensive income/(loss) for the period	–	–	–	–	398	(539)	–	(141)	(141)	1	(140)
Total comprehensive income/(loss) for the period	–	–	–	698	398	(539)	–	(141)	557	(8)	549
Acquisition of treasury shares (Note 17(i))	–	–	(755)	–	–	–	–	–	(755)	–	(755)
Cancellation of treasury shares (Note 17(ii))	–	(718)	718	–	–	–	–	–	–	–	–
2020 final dividend paid (Note 18)	–	–	–	(2,298)	–	–	–	–	(2,298)	–	(2,298)
Total changes in equity for the period	–	(718)	(37)	(1,600)	398	(539)	–	(141)	(2,496)	(8)	(2,504)
At 30 September 2020	15,000	12,023	(37)	107,717	(3,002)	551	5	(2,446)	132,257	(29)	132,228
At 1 April 2021	15,000	11,304	–	107,104	(2,907)	1,499	5	(1,403)	132,005	(33)	131,972
Profit for the period	–	–	–	3,420	–	–	–	–	3,420	(4)	3,416
Other comprehensive income/(loss) for the period	–	–	–	–	(503)	184	–	(319)	(319)	0	(319)
Total comprehensive income/(loss) for the period	–	–	–	3,420	(503)	184	–	(319)	3,101	(4)	3,097
Acquisition of treasury shares (Note 17(i))	–	–	(2,241)	–	–	–	–	–	(2,241)	–	(2,241)
Cancellation of treasury shares (Note 17(ii))	–	(2,241)	2,241	–	–	–	–	–	–	–	–
2021 final dividend paid (Note 18)	–	–	–	(1,505)	–	–	–	–	(1,505)	–	(1,505)
Total changes in equity for the period	–	(2,241)	–	1,915	(503)	184	–	(319)	(645)	(4)	(649)
At 30 September 2021	15,000	9,063	–	109,019	(3,410)	1,683	5	(1,722)	131,360	(37)	131,323

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	Six months ended 30 September	
		2021	2020
		¥ million	¥ million
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income taxes		5,586	1,477
Adjustments for:			
Finance expenses		1,284	1,458
Finance income		(156)	(154)
Depreciation of property, plant and equipment		8,251	5,117
Depreciation of right-of-use assets		4,693	5,099
Amortisation of intangible assets		177	196
Impairment loss on property, plant and equipment		521	28
Impairment loss on right-of-use assets		756	7
(Gain)/loss on sales and disposals of property, plant and equipment		(348)	40
Others		(345)	(390)
Operating profit before working capital changes:		20,419	12,878
Decrease in prizes in operation of pachinko halls		209	144
Decrease in inventories		36	1,156
Decrease in trade receivables		26	155
Decrease in other non-current assets		81	72
(Increase)/decrease in other current assets		(675)	88
Decrease in finance lease receivables		296	128
Decrease in trade and other payables		(5,874)	(105)
Increase/(decrease) in other current liabilities		518	(535)
Increase in other non-current liabilities		7	168
(Decrease)/Increase in current provisions		(209)	395
Others		8	–
Cash generated from operations		14,842	14,544
Income taxes paid		(3,152)	(28)
Finance expenses paid		(1,171)	(1,153)
Net cash generated from operating activities		10,519	13,363

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	Six months ended 30 September	
		2021 ¥ million (unaudited)	2020 ¥ million (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(23,672)	(1,311)
Proceeds from sales of property, plant and equipment		497	–
Purchase of intangible assets		(27)	(118)
Payments for asset retirement obligations		(66)	(16)
Proceeds from sales of financial assets measured at fair value through other comprehensive income		0	13
Collection of loans receivable		–	0
Increase in rental deposits		(80)	(40)
Decrease in rental deposits		105	153
Finance income received		128	105
Others		–	7
Net cash used in investing activities		(23,115)	(1,207)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		5,004	28,292
Repayment of bank loans		(6,770)	(6,047)
Repayment of leases payables		(5,353)	(5,123)
Acquisition of treasury shares	17	(2,241)	(756)
Dividends paid	18	(1,505)	(2,298)
Net cash generated (used in)/from financing activities		(10,865)	14,068
Effects of exchange rate changes on cash and cash equivalents		49	(194)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(23,412)	26,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		74,661	41,810
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		51,249	67,840

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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, 32/F, Hong Kong Plaza, 188 Connaught Road West, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 6 August 2012.

The interim condensed consolidated financial information of the Company 30 September 2021 consists of the Company and its subsidiaries (the “Group”). The Group has identified and disclosed two reportable segments, namely ‘Pachinko business’ and ‘Aircraft leasing business’. This interim condensed consolidated financial information is presented in millions of Japanese Yen (¥), unless otherwise stated.

The interim condensed consolidated financial information was approved and authorised for issuance by the board of directors of the Company (the “Board”) on 24 November 2021.

The interim condensed consolidated financial information has been reviewed, but not audited by PricewaterhouseCoopers Aarata LLC.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with IAS 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2021 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Significant accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2021 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2021 except for the following.

Pachinko and Pachislot Machines

Due to the continuous change in the Group environment of the averaged actual useful life, the Group has been using its pachinko and pachislot machines for a longer period than the past. In view of this new condition, the Group has adopted a new accounting policy of recording as Property, plant and equipment. While the adoption of new accounting policy is triggered from event and condition that differ in substance from those previously occurring, it is assessed that it is not a change in accounting policy.

The useful life of pachinko and pachislot machines is 2 years.

Due to this new application, compared to the case with the previous accounting treatment for expensing pachinko and pachislot machines upon purchase, depreciation expenses increased by ¥3,677 million while pachinko and pachislot machine expenses decreased by ¥25,326 million for the six months ended 30 September 2021. As the result, operating profit and profit before income taxes for the six months ended 30 September 2021 increased by ¥21,649 million respectively. In addition, pachinko and pachislot machines of ¥21,649 million were included in property, plant and equipment in the interim condensed consolidated statement of financial position. This change has an impact on pachinko business segment.

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

2. BASIS OF PREPARATION *(Continued)*

Adoption of new and revised International Financial Reporting Standards

The following new amendments to existing standards have been issued and effective for annual periods beginning on 1 April 2021 with no impact on the Group's results of operations and financial positions:

- IFRS 16 (Amendment), 'Leases'
- IFRS 9 (Amendment), 'Financial Instruments'
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'
- IFRS 7 (Amendment), 'Financial Instruments: Disclosures'
- IFRS 4 (Amendment), 'Insurance Contracts'

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

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

2. BASIS OF PREPARATION *(Continued)*

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ending	Summary of new standards and amendments
IFRS 3 (Amendment)	Business Combinations	1 January 2022	31 March 2023	Reference to the Conceptual Framework
IAS 16 (Amendment)	Property, Plant and Equipment	1 January 2022	31 March 2023	Property, Plant and Equipment — Proceeds before intended Use
IAS 37 (Amendment)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022	31 March 2023	Onerous Contracts — Cost of Fulfilling a Contract
IFRSs (Amendment)	Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022	31 March 2023	Minor amendments with regard to IFRS 9 Financial Instruments and IFRS 16 Leases
IAS 1 (Amendment)	Presentation of Financial Statements	1 January 2023	31 March 2024	Classification of Liabilities as Current or Non-current
IAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023	31 March 2024	Clarification of the definition of Accounting estimates
IAS 12 (Amendment)	Income taxes	1 January 2023	31 March 2024	Deferred Tax Related to Assets and Liabilities Arising from a single Transaction
IFRS 10 (Amendment)	Consolidated Financial Statements	To be determined	To be determined	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 28 (Amendment)	Investments in Associates and Joint Ventures	To be determined	To be determined	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial information are the same as those of the consolidated financial information for the year ended 31 March 2021, with the exception that income taxes in the interim periods are calculated based upon the tax rate that would be applicable to estimated annual earnings.

No significant changes have been made to the estimation of the impact relating to spread of COVID-19 for the six-month period ended 30 September 2021.

4. REVENUE

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Gross pay-ins	255,403	219,663
Less: Gross payouts	(205,264)	(174,408)
Revenue from pachinko business	50,139	45,255
Revenue from aircraft leasing business	758	737
Revenue	50,897	45,992

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

5. SEGMENT INFORMATION

(a) *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 these consolidated financial statements.

In geographical information, revenue from external customers and non-current assets other than financial instruments and deferred tax assets of other business are disclosed as 'Japan'. 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.

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.

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

5. SEGMENT INFORMATION *(Continued)*

(a) Segment information (Continued)

The segment information provided to the executive directors for the six months ended 30 September 2021 and 2020 are as follows:

	Six months ended 30 September 2021				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	50,139	758	50,897	–	50,897
Other segment items					
Depreciation and amortisation expenses	(12,616)	(367)	(12,983)	(72)	(13,055)
Impairment loss	(1,197)	–	(1,197)	(81)	(1,278)
Finance income	86	1	87	69	156
Finance expenses	(1,109)	(173)	(1,282)	(2)	(1,284)
Segment profit	8,024	122	8,146	–	8,146
Corporate expenses					(2,560)
Profit before income taxes					5,586
Income taxes					(2,170)
Net profit for the period					3,416
Addition to non-current assets other than financial instruments and deferred tax assets	33,153	–	33,153	143	33,296

5. SEGMENT INFORMATION *(Continued)*

(a) *Segment information (Continued)*

	Six months ended 30 September 2020				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	45,255	737	45,992	–	45,992
Other segment items					
Depreciation and amortisation expenses	(9,924)	(356)	(10,280)	(55)	(10,335)
Impairment loss	(34)	–	(34)	(1)	(35)
Finance income	86	5	91	63	154
Finance expenses	(1,130)	(180)	(1,310)	(148)	(1,458)
Segment profit	4,227	120	4,347	–	4,347
Corporate expenses					(2,870)
Profit before income taxes					1,477
Income taxes					(788)
Net profit for the period					689
Addition to non-current assets other than financial instruments and deferred tax assets	8,062	–	8,062	35	8,097

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

5. SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

The segment assets and segment liabilities as at 30 September 2021 and as at 31 March 2021 are as follows:

	At 30 September 2021				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment assets	238,848	20,900	259,748	27,123	286,871
Segment liabilities	100,258	20,333	120,591	34,957	155,548

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

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

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

	Six months ended 30 September 2021		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	50,139	758	50,897

	At 30 September 2021		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
Segment non-current assets other than financial instruments and deferred tax assets	181,638	16,367	198,005

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

	At 31 March 2021		
	Japan ¥ million (audited)	Europe ¥ million (audited)	Total ¥ million (audited)
Segment non-current assets other than financial instruments and deferred tax assets	164,099	16,557	180,656

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

5. SEGMENT INFORMATION *(Continued)*

(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.

6. PACHINKO BUSINESS EXPENSES

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Advertising expenses	1,493	882
Cleaning and ancillary services	1,315	1,578
Depreciation expenses	7,836	4,701
Hall staff costs	20,453	21,639
Pachinko and pachislot machine expenses	1,806	5,693
Depreciation expenses of right-of-use assets	4,661	5,086
Rental expenses	68	39
Repair and maintenance expenses	1,217	885
Utilities expenses	2,591	2,544
Others	3,351	3,349
	44,791	46,396

A decrease in PACHINKO BUSINESS EXPENSES was primarily due to a decrease in pachinko and pachislot machine expenses. Please refer to "pachinko and pachislot machines" in Note 2 "Basis of preparation" for more detail.

7. AIRCRAFT LEASING EXPENSES

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Depreciation expenses	309	302
Amortisation expenses	58	54
Others	97	88
	464	444

8. OTHER INCOME

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Commission from vending machines and in-store sales	1,600	1,432
Income from forfeiture of customer's membership cards	70	71
Income from catering services	280	146
Sales revenue from property held for sale	40	–
Revenue from finance leases	21	40
Net gains on sales of used machines	496	51
Rental income	322	307
Government grants	1,524	3,225
Others	672	870
	5,025	6,142

A decrease in OTHER INCOME was primarily due to a decrease in the government grants from the local governments for the temporarily suspended operation of our pachinko halls in response to the requests from the local governments in connection with the outbreak of the novel coronavirus (Covid-19) during this interim period. Government grants related to employment or other actions regarding novel coronavirus (Covid-19) infection taken by the Group are recognised in profit or loss.

9. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Disposal cost of non-financial assets	175	40
Impairment loss of non-financial assets (Note 13)	1,278	35
Cost of sales of property held for sale	27	–
Cost of sales of finance leases	15	19
Rental expenses	65	63
Others	389	274
	1,949	431

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

10. FINANCE INCOME

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Bank interest income	11	13
Finance leases interest income	94	87
Dividend income	15	15
Foreign exchange gain, net	3	–
Others	33	39
	156	154

11. FINANCE EXPENSES

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Interest expenses	277	252
Amortisation of syndicated bank loan charges	39	32
Foreign exchange loss, net	–	143
Interest on lease liabilities	929	989
Others	39	42
	1,284	1,458

12. INCOME TAXES

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

	Six months ended 30 September	
	2021	2020
	¥ million	¥ million
	(unaudited)	(unaudited)
Current taxes	567	338
Deferred taxes	1,603	450
	2,170	788

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group recorded addition of pachinko and pachislot machines of ¥25,332 million due to the adoption of a new accounting policy for recording the pachinko and pachislot machines as property, plant and equipment from this consolidated fiscal year on in the light of the fact that the averaged actual useful life of the machines was over 2 years.

As a result, during the six months ended 30 September 2021, the Group acquired property, plant and equipment of ¥28,109 million (2020: ¥1,155 million).

As a result of primarily reviewing recoverable amount of each cash-generating unit ("CGU") determined based on each pachinko hall, the Group recognised ¥1,278 million as impairment loss of non-financial assets during the six months ended 30 September 2021 (2020: ¥35 million).

For the operation of pachinko hall, the Group considered an individual pachinko hall as a 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 managements 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 period.

The remaining useful lives of the significant properties of CGU are the period for which value in use is 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 30 September 2021 and 2020, respectively.

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.

The rate used to discount the cash flow projections from the CGU's operating result is 3.67% (2020: 3.85%).

14. CAPITAL COMMITMENTS

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

	At 30 September 2021 ¥ million (unaudited)	At 31 March 2021 ¥ million (audited)
Capital commitment purchase of property, plant and equipment	1,662	—
	1,662	—

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

15. TRADE RECEIVABLES

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

	At 30 September 2021 ¥ million (unaudited)	At 31 March 2021 ¥ million (audited)
1 to 30 days	325	343
31 to 60 days	1	10
Over 60 days	9	8
	335	361

16. TRADE AND OTHER PAYABLES

	At 30 September 2021 ¥ million (unaudited)	At 31 March 2021 ¥ million (audited)
Trade payables	1,007	1,032
Halls construction and system payables	872	658
Other tax expenses	866	7,245
Pachinko and pachislot machine payables	4,848	4,363
Accrued staff costs	5,874	5,395
Advertisement and promotions	181	76
Housing rent	186	205
Others	881	1,023
	14,715	19,997

16. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 September 2021 ¥ million (unaudited)	At 31 March 2021 ¥ million (audited)
1 to 30 days	1,003	1,025
31 to 60 days	–	–
Over 60 days	4	7
	1,007	1,032

17. TREASURY SHARES

Changes of the Company's treasury shares for the six months ended 30 September 2021 and 2020 are as follows:

	Note	Six months ended 30 September			
		2021		2020	
		Number of Ordinary share ¥ million (unaudited)	¥ million (unaudited)	Number of Ordinary share (unaudited)	¥ million (unaudited)
Balance at the beginning of the period		–	–	–	–
Increase in treasury shares	(i), (ii)	21,195,400	2,241	6,951,600	755
Decrease in treasury shares	(iii)	21,195,400	2,241	6,612,600	718
Balance at the end of the period		–	–	339,000	37

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

17. TREASURY SHARES *(Continued)*

Notes:

- (i) The increase of 21,195,400 treasury shares consists of: 21,195,400 shares acquired as treasury shares subject to Article 156 (replacement of the third paragraph of Article 165) of the Company Law of Japan (the Japan Company Law).

The Company held the general meeting on 24 June 2021 where the general mandate to repurchase shares of the Company was granted within the range of 75,270,129 shares.

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

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

- (iii) The decrease of 21,195,400 and 6,612,600 treasury shares is due to the cancellation of shares subject to Article 178 of the Japan Company Law.

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

18. DIVIDENDS

During the six months ended 30 September 2021 and 2020, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

Dividends declared and paid/payable to its shareholders by:	Six months ended 30 September			
	2021	Total	2020	Total
	Dividend per share ¥	Dividends ¥ million (unaudited)	Dividend per share ¥	Dividends ¥ million (unaudited)
Final dividend paid	2.00	1,505	3.00	2,298
		1,505		2,298

On 24 November 2021, the Board declared an interim dividend of ¥2.40 per ordinary share of the Company, which is payable on 12 January 2022 to the shareholders of the Company.

19. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2021 ¥ million (unaudited)	2020 ¥ million (unaudited)
Earnings for the purpose of calculating basic earnings per share	3,420	698
Weighted average number of shares	745,872,588	764,703,659
Basic earnings per share (¥)	4.59	0.91

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2021 and 2020 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2021 and 2020.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	At 30 September 2021		At 31 March 2021	
	¥ million (unaudited)		¥ million (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at FVTOCI	2,951	2,951	3,405	3,405
Financial assets measured at amortised cost				
Rental deposits	5,971	6,260	6,030	6,338
Lease receivables	7,511	7,511	7,282	7,282
Total	16,433	16,722	16,717	17,025
Financial liabilities				
Financial liabilities measured at amortised cost				
Borrowings	32,342	32,342	33,967	33,967
Total	32,342	32,342	33,967	33,967

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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

(a) Fair value estimation

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

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

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

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

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

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

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

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

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

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

(b) Recognised fair value measurements

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

At 30 September 2021		Fair value measurements using:			
Description	Level 1	Level 2	Level 3	Total	
	¥ million	¥ million	¥ million	¥ million	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Financial assets measured at FVTOCI					
Listed securities in Hong Kong	1,595	–	–	1,595	
Listed securities in Japan	486	–	–	486	
Others	–	–	870	870	
Total	2,081	–	870	2,951	

At 31 March 2021		Fair value measurements using:			
Description	Level 1	Level 2	Level 3	Total	
	¥ million	¥ million	¥ million	¥ million	
	(audited)	(audited)	(audited)	(audited)	
Financial assets measured at FVTOCI					
Listed securities in Hong Kong	2,047	–	–	2,047	
Listed securities in Japan	491	–	–	491	
Others	–	–	867	867	
Total	2,538	–	867	3,405	

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

Notes to the Interim Condensed Consolidated Financial Information

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

(c) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

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

Changes in level 3 for the six months ended 30 September 2021 and 2020 were as follows:

	Six months ended 30 September	
	2021 ¥ million (unaudited)	2020 ¥ million (unaudited)
Balance at beginning of the period	867	876
Gain/(loss) in other comprehensive income	3	(7)
Sales/redemptions	0	(10)
Balance at end of the period	870	859

(e) Valuation process

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

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

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

21. SIGNIFICANT SUBSEQUENT EVENT

(Purchase and Leasing Arrangement of Three Aircrafts)

On 26 October 2021 (after trading hours), a subsidiary of Dynam Aviation entered into the Aircraft Sale Agreement with Wizz Air Hungary Ltd. (“Wizz”) pursuant to which, among other things, Wizz agreed to assign to the subsidiary of Dynam Aviation and the subsidiary of Dynam Aviation has agreed to accept the assignment of Wizz’s rights (under the Original Purchase Contract) to purchase and take delivery of the Aircrafts from Airbus S.A.S. between Wizz and Airbus S.A.S. and also entered into a Lease Agreement with Wizz on 26 October 2021 (after trading hours), pursuant to which the Aircrafts will be leased by the subsidiary of Dynam Aviation to Wizz or an affiliate within the Group of Wizz.

Due to strict confidentiality provisions, the Group shall not disclose conditions of the transaction including the purchase price.

Two of the Aircrafts will be delivered in the second quarter of 2022 and one of the Aircrafts will be delivered in the third quarter of 2022.

(Significant Loan agreement)

On 29 October 2021, the Group entered into a loan agreement of ¥12,000 million with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation. The execution date is scheduled for 28 December 2021. The loan agreement is unsecured and will be joint guaranteed by the Company and DYNAM Co., Ltd. a subsidiary of the Company.

Definitions

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

“Beijing GEO”	Beijing GEO Coffee Co., Ltd., a company incorporated in the People’s Republic of China with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
“Business Partners”	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”	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Dynam”	DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company
“Dynam Aviation”	Dynam Aviation Ireland Limited., a company incorporated in Ireland with limited liability. Dynam Aviation is a wholly-owned subsidiary of the Company
“Dynam Business Support”	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”	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”	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)”	Eurasia Foundation (from Asia), a general incorporated foundation established in Japan
“Genghis Khan”	Genghis Khan Travel Co., Ltd., a stock company incorporated in Japan with limited liability. Genghis Khan is held as to 100% by the Company through Dynam Business Support
“Nihon Humap”	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”	P Insurance Co., Ltd., a stock company incorporated in Japan with limited liability. P Insurance is held as to 100% by the Company through Dynam Business Support
“Rich-O”	Rich-O Co., Ltd., a stock company incorporated in Japan with limited liability
“Rich-O Korea”	Rich-O Korea Co., Ltd., a company incorporated with limited liability in South Korea. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
“SAC”	Sato Aviation Capital Limited, a company incorporated in Hong Kong with limited liability, being held as to 100% by Mr. Yoji SATO
“Yume Corporation”	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.*

