DYJH

Annual Report 2022

DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

Stock Code: 06889

* For identification purpose only

DYNAM JAPAN HOLDINGS Co., Ltd.

Annual Report 2022

Contents

Corporate Information

BOARD OF DIRECTORS

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

COMMITTEES

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

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

Summary of Financial Performance
Year ended 31 March

	Year ended 31 March						
							(in millions)
	2022		2021		2020	2019	2018
	¥	**HK$**	¥	HK$	¥	¥	¥
Gross pay-ins	**506,949**	**32,414**	475,163	33,368	732,862	768,857	775,060
Less: gross payouts	**(403,361)**	**(25,790)**	(378,022)	(26,546)	(590,943)	(622,486)	(622,968)
Revenue from pachinko business	**103,588**	**6,624**	97,141	6,822	141,919	146,371	152,092
Revenue from aircraft leasing business	**1,553**	**99**	1,461	103	564	–	–
Revenue	**105,141**	**6,723**	98,602	6,925	142,483	146,371	152,092
Pachinko business expenses	**(93,950)**	**(6,007)**	(96,673)	(6,789)	(121,912)	(128,024)	(136,727)
Aircraft leasing expenses	**(961)**	**(61)**	(891)	(63)	(399)	–	–
General and administrative expenses	**(4,279)**	**(274)**	(4,340)	(305)	(5,020)	(5,023)	(5,049)
Other income	**9,114**	**583**	11,561	812	8,446	8,971	9,458
Other operating expenses	**(4,411)**	**(283)**	(1,531)	(108)	(2,084)	(2,953)	(2,425)
Operating profit	**10,654**	**681**	6,728	472	21,514	19,342	17,349
Finance income	**426**	**27**	286	20	461	471	236
Finance expenses	**(2,571)**	**(164)**	(2,672)	(187)	(2,469)	(444)	(781)
Profit before income taxes	**8,509**	**544**	4,342	305	19,506	19,369	16,804
Income taxes	**(3,532)**	**(226)**	(1,991)	(140)	(6,759)	(6,778)	(5,879)
Net profit for the year	**4,977**	**318**	2,351	165	12,747	12,591	10,925
Net profit attributable to:							
Owners of the Company	**4,997**	**319**	2,363	166	12,748	12,596	10,870
Non-controlling interests	**(20)**	**(1)**	(12)	(1)	(1)	(5)	55
Net profit for the year	**4,977**	**318**	2,351	165	12,747	12,591	10,925
Earnings per share							
Basic	**¥6.8**	**HK$0.4**	¥3.1	HK$0.2	¥16.6	¥16.4	¥14.2
Diluted	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A
EBITDA(*)	**19,709**	**1,260**	16,781	1,178	31,151	31,136	29,524

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

SUMMARY OF FINANCIAL PERFORMANCE

	2022		2021		2020	2019	2018
	¥	**HK$**	¥	HK$	¥	¥	¥
As at 31 March (in millions)							
Non-current assets	**225,934**	**14,446**	209,283	14,697	221,441	125,457	131,826
Current assets	**67,487**	**4,315**	91,790	6,446	55,798	59,875	53,145
Current liabilities	**47,324**	**3,026**	59,812	4,200	44,028	36,452	39,643
Net current assets	**20,163**	**1,289**	31,978	2,246	11,770	23,423	13,502
Total assets less current liabilities	**246,097**	**15,735**	241,261	16,943	233,211	148,880	145,328
Non-current liabilities	**115,115**	**7,360**	109,289	7,675	98,479	7,080	7,813
Total equity	**130,982**	**8,375**	131,972	9,268	134,732	141,800	137,515

CURRENCY TRANSLATIONS

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

1. ¥15.64 to HK$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).
2. ¥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.

Summary of Financial Performance
Year ended 31 March

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

	For the year ended 31 March				
	2022		2021		changes[3]
	(in millions, except for percentages)				
	¥	**HK$[1]**	¥	HK$[2]	%
Gross pay-ins					
— High playing cost halls	**283,647**	**18,136**	263,337	18,493	7.7%
— Low playing cost halls	**223,302**	**14,278**	211,826	14,875	5.4%
Total gross pay-ins	**506,949**	**32,414**	475,163	33,368	6.7%
Gross payouts					
— High playing cost halls	**232,354**	**14,856**	215,682	15,146	7.7%
— Low playing cost halls	**171,007**	**10,934**	162,340	11,400	5.3%
Total gross payouts	**403,361**	**25,790**	378,022	26,546	6.7%
Revenue from pachinko business					
— High playing cost halls	**51,293**	**3,280**	47,655	3,347	7.6%
— Low playing cost halls	**52,295**	**3,344**	49,486	3,475	5.7%
Total revenue from pachinko business	**103,588**	**6,624**	97,141	6,822	6.6%
Revenue from aircraft leasing business	**1,553**	**99**	1,461	103	6.3%
Total revenue	**105,141**	**6,723**	98,602	6,925	6.6%

(1) Translated into Hong Kong dollars at the rate of ¥15.64 to HK$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).

(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).

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

The consolidated financial results of the Group for the year ended 31 March 2022 were as follows:

Consolidated revenue from the pachinko business and the aircraft leasing business was ¥105,141 million (equivalent to approximately HK$6,723 million), 106.6% of the previous year. Consolidated operating profit was ¥10,654 million (equivalent to approximately HK$681 million), 158.4% of the previous year. Consolidated net profit for the year was ¥4,977 million (equivalent to approximately HK$318 million), 211.7% of the previous year. Consolidated revenue and net profit for the year ended 31 March 2022 increased from the previous year.

PACHINKO BUSINESS

In the second year of the coronavirus pandemic, the spread of coronavirus infection was repeated, the state of emergency and the quasi-state of emergency became normalised, and economic activities attributed to the flow of people were greatly restricted. Under such circumstances, in pachinko business, which is our core business, the Group endeavors to provide customers with safe and secure surroundings around pachinko halls by taking sufficient infection prevention measures based on the "Guidelines for Preventing the Spread of New Coronavirus Infections in Pachinko and Pachislot hall operation" enacted by the Pachinko industry.

In the current fiscal year, the Group was able to operate throughout the fiscal year without any industry-wide hall closures, which the Group grappled with in April and May of the previous fiscal year. Revenue from pachinko business this fiscal year did not reach the level of the fiscal year ended 31 March 2020 (before the spread of coronavirus infection) yet though the Group secured a revenue hike from the previous year. The Group can't be optimistic about the business surroundings in the future, as there remain concerns about the continued spread of infection caused by new variants of coronavirus.

Under such circumstances, for all regions where the Group operates pachinko halls, there remain negative effects from emergence of new variants of coronavirus and so forth whereas a sign of a huge recovery on economic activities is seen due to the progress in the vaccination rate and etc.

In consideration of the above, the Group believes that revenue from pachinko business will arrive at the similar level of the fiscal year ended 31 March 2020 (before the spread of the coronavirus infection) over a few years.

The Group will continue to review the cost structure of the Group and pursue stronger profitability.

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

■ GROSS PAY-INS

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

Our total gross pay-ins increased by ¥31,786 million (equivalent to approximately HK$2,033 million*), or 6.7%*, from ¥475,163 million (equivalent to approximately HK$33,368 million) for the year ended 31 March 2021 to ¥506,949 million (equivalent to approximately HK$32,414 million) for the year ended 31 March 2022.

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

Gross pay-ins for high playing cost halls increased by ¥20,310 million (equivalent to approximately HK$1,299 million*), or 7.7%*, from ¥263,337 million (equivalent to approximately HK$18,493 million) for the year ended 31 March 2021 to ¥283,647 million (equivalent to approximately HK$18,136 million) for the year ended 31 March 2022.

Gross pay-ins for low playing cost halls increased by ¥11,476 million (equivalent to approximately HK$734 million*), or 5.4%*, from ¥211,826 million (equivalent to approximately HK$14,875 million) for the year ended 31 March 2021 to ¥223,302 million (equivalent to approximately HK$14,278 million) for the year ended 31 March 2022.

Summary of Financial Performance
Year ended 31 March

GROSS PAYOUTS

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

Our total gross payouts increased by ¥25,339 million (equivalent to approximately HK$1,620 million*), or 6.7%*, from ¥378,022 million (equivalent to approximately HK$26,546 million) for the year ended 31 March 2021 to ¥403,361 million (equivalent to approximately HK$25,790 million) for the year ended 31 March 2022.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls increased by ¥16,672 million (equivalent to approximately HK$1,066 million*), or 7.7%*, from ¥215,682 million (equivalent to approximately HK$15,146 million) for the year ended 31 March 2021 to ¥232,354 million (equivalent to approximately HK$14,856 million) for the year ended 31 March 2022. The increase was primarily due to the increase in gross pay-ins.

Gross payouts for low playing cost halls increased by ¥8,667 million (equivalent to approximately HK$554 million*), or 5.3%*, from ¥162,340 million (equivalent to approximately HK$11,400 million) for the year ended 31 March 2021 to ¥171,007 million (equivalent to approximately HK$10,934 million) for the year ended 31 March 2022. The increase was primarily due to the increase in gross pay-ins.

REVENUE FROM PACHINKO BUSINESS AND REVENUE MARGIN

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

Our revenue increased by ¥6,447 million (equivalent to approximately HK$412 million*), or 6.6%*, from ¥97,141 million (equivalent to approximately HK$6,822 million) for the year ended 31 March 2021 to ¥103,588 million (equivalent to approximately HK$6,624 million) for the year ended 31 March 2022.

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

Revenue from pachinko business for high playing cost halls increased by ¥3,638 million (equivalent to approximately HK$233 million*), or 7.6%*, from ¥47,655 million (equivalent to approximately HK$3,347 million) for the year ended 31 March 2021 to ¥51,293 million (equivalent to approximately HK$3,280 million) for the year ended 31 March 2022. The revenue margin for the year ended 31 March 2022 remained 18.1% year-on-year.

Revenue from pachinko business for low playing cost halls increased by ¥2,809 million (equivalent to approximately HK$180 million*), or 5.7%*, from ¥49,486 million (equivalent to approximately HK$3,475 million) for the year ended 31 March 2021 to ¥52,295 million (equivalent to approximately HK$3,344 million) for the year ended 31 March 2022. The revenue margin for the year ended 31 March 2022 remained 23.4% year-on-year.

PACHINKO BUSINESS EXPENSES

Pachinko business expenses for the year ended 31 March 2022 was ¥93,950 million (equivalent to approximately HK$6,007 million), recording a decrease by ¥2,723 million (equivalent to approximately HK$174 million*), or 2.8%* as compared to the previous fiscal year of ¥96,673 million (equivalent to approximately HK$6,789 million).

Our Pachinko business expenses by hall type are as follows.

Pachinko business expenses for high playing cost halls decreased by ¥1,986 million (equivalent to approximately HK$127 million*), or 4.5%*, from ¥44,407 million (equivalent to approximately HK$3,118 million) for the year ended 31 March 2021 to ¥42,421 million (equivalent to approximately HK$2,712 million) for the year ended 31 March 2022.

Pachinko business expenses for low playing cost halls decreased by ¥737 million (equivalent to approximately HK$47 million*), or 1.4%*, from ¥52,266 million (equivalent to approximately HK$3,670 million) for the year ended 31 March 2021 to ¥51,529 million (equivalent to approximately HK$3,295 million) for the year ended 31 March 2022.

AIRCRAFT LEASING BUSINESS

The business environment of the aircraft leasing industry for the year ended 31 March 2022 has been affected by the COVID-19. There has been a sign of a gradual pickup of passenger demand as vaccination progressed in many countries.

Under such a business environment, the Group has been expanding its portfolio by entering into contracts to acquire three new aircrafts while managing three aircrafts. There was no deferral of lease payments during the year ended 31 March 2022, and Russia-Ukrainian War and economic sanctions against Russia had no impact on our business performance.

Set out below is detailed performance of revenue from aircraft leasing business and aircraft leasing expenses for the year ended 31 March 2022.

REVENUE FROM AIRCRAFT LEASING BUSINESS

Revenue from aircraft leasing business increased by ¥92 million (equivalent to approximately HK$6 million*), or 6.3%*, from ¥1,461 million (equivalent to approximately HK$103 million) for the year ended 31 March 2021 to ¥1,553 million (equivalent to approximately HK$99 million) for the year ended 31 March 2022.

The increase in revenue from aircraft leasing business was due primarily to the progress in weakening Japanese currency against US dollars during the fiscal year ended 31 March 2022.

Summary of Financial Performance
Year ended 31 March

AIRCRAFT LEASING EXPENSES

Aircraft leasing expenses increased by ¥70 million (equivalent to approximately HK$4 million*), or 7.9%*, from ¥891 million (equivalent to approximately HK$63 million) for the year ended 31 March 2021 to ¥961 million (equivalent to approximately HK$61 million) for the year ended 31 March 2022.

The increase in expenses from aircraft leasing business was due primarily to an increase in labor costs during the fiscal year ended 31 March 2022.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥61 million (equivalent to approximately HK$4 million*), or 1.4%*, from ¥4,340 million (equivalent to approximately HK$305 million) for the year ended 31 March 2021 to ¥4,279 million (equivalent to approximately HK$274 million) for the year ended 31 March 2022.

OTHER INCOME

Other income decreased by ¥2,447 million (equivalent to approximately HK$156 million*), or 21.2%*, from ¥11,561 million (equivalent to approximately HK$812 million) for the year ended 31 March 2021 to ¥9,114 million (equivalent to approximately HK$583 million) for the year ended 31 March 2022. The main reason for the decrease was a decrease in the amount of the government grants received.

OTHER OPERATING EXPENSES

Other operating expenses increased by ¥2,880 million (equivalent to approximately HK$184 million*), or 188.1%*, from ¥1,531 million (equivalent to approximately HK$108 million) for the year ended 31 March 2021 to ¥4,411 million (equivalent to approximately HK$283 million) for the year ended 31 March 2022. The main reason for the increase was an increase in impairment of property, plant and equipment.

FINANCE INCOME

Finance income increased by ¥140 million (equivalent to approximately HK$9 million*), or 49.0%*, from ¥286 million (equivalent to approximately HK$20 million) for the year ended 31 March 2021 to ¥426 million (equivalent to approximately HK$27 million) for the year ended 31 March 2022. The main reason for the increase was an increase in gains on foreign currency transactions.

FINANCE EXPENSES

Finance expenses decreased by ¥101 million (equivalent to approximately HK$6 million*), or 3.8%*, from ¥2,672 million (equivalent to approximately HK$187 million) for the year ended 31 March 2021 to ¥2,571 million (equivalent to approximately HK$164 million) for the year ended 31 March 2022. The main reason for the decrease was a decrease in interest expenses of the lease.

EVENTS AFTER THE REPORTING PERIOD

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

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

CASH FLOW

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

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

	For the year ended 31 March			
	2022		2021	
				(in millions)
	¥	**HK$(1)**	¥	HK$(2)
Net cash generated from operating activities	**32,719**	**2,093**	29,441	2,067
Net cash used in investing activities	**(43,010)**	**(2,750)**	(1,188)	(83)
Net cash (used in)/generated from financing activities	**(8,565)**	**(549)**	4,457	313
Effects of exchange rate changes on cash and cash equivalents	**703**	**45**	141	10
Net (decrease)/increase in cash and cash equivalents	**(18,153)**	**(1,161)**	32,851	2,307
Cash and cash equivalents at beginning of year	**74,661**	**4,774**	41,810	2,936
Cash and cash equivalents at end of year	**56,508**	**3,613**	74,661	5,243

Net cash generated from operating activities

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

	For the year ended 31 March			
	2022		2021	
				(in millions)
	¥	**HK$(1)**	¥	HK$(2)
Operating profit before working capital changes	**44,595**	**2,851**	27,553	1,935
Change in working capital — (used in)/generated	**(5,446)**	**(347)**	3,357	236
Cash generated from operations	**39,149**	**2,504**	30,910	2,171
Income taxes (paid)/refund	**(3,756)**	**(240)**	939	66
Finance expenses paid	**(2,674)**	**(171)**	(2,408)	(169)
Net cash generated from operating activities	**32,719**	**2,093**	29,441	2,068

(1) Translated into Hong Kong dollars at the rate of ¥15.64 to HK$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).

(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).

Summary of Financial Performance
Year ended 31 March

Net cash generated from operation activities

Our net cash generated from operating activities was ¥32,719 million (equivalent to approximately HK$2,093 million) for the year ended 31 March 2022.

Net cash used in investing activities

Our net cash used in investing activities primarily consists of capital expenditures for property, plant and equipment, including pachinko and pachislot machines, freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles, aircrafts and construction in progress.

Net cash used in investing activities was ¥43,010 million (equivalent to approximately HK$2,750 million) for the years ended 31 March 2022.

Our net cash used in investing activities primarily comprises acquisitions of pachinko and pachislot machines.

Net cash used in financing activities

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

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

For the year ended 31 March 2022, net cash used in financing activities was ¥8,565 million (equivalent to approximately HK$549 million).

The cash outflow for the year ended 31 March 2022 was primarily due to the acquisitions of treasury shares in the amount of ¥3,187 million (equivalent to approximately HK$204 million), the repayment of lease liabilities in the amount of ¥10,555 million (equivalent to approximately HK$675 million), and bank loans in the amount of ¥19,014 million (equivalent to approximately HK$1,216 million), and dividend payment in the amount of ¥3,261 million (equivalent to approximately HK$209 million) respectively. The cash inflow for the year ended 31 March 2022 was primarily due to the bank loans raised amounted to ¥27,452 million (equivalent to approximately HK$1,755 million).

LIQUIDITY

Net Current Assets and Working Capital Sufficiency

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

	31 March 2022		31 March 2021	
				(in millions)
	¥	**HK$[(1)]**	¥	HK$[(2)]
Current assets				
Inventories	**1,064**	**68**	5,080	357
Trade receivables	**332**	**21**	361	25
Lease receivables	**1,977**	**126**	2,007	141
Prizes in operation of pachinko halls	**2,921**	**187**	3,685	259
Income tax receivables	**671**	**43**	3,172	223
Other current assets	**4,014**	**257**	2,824	198
Cash and cash equivalents	**56,508**	**3,613**	74,661	5,243
	67,487	**4,315**	91,790	6,446
Current liabilities				
Trade and other payables	**12,312**	**787**	19,997	1,404
Borrowings	**12,945**	**828**	11,380	799
Lease liabilities	**11,245**	**719**	12,040	846
Provisions	**1,386**	**89**	1,653	116
Income taxes payables	**844**	**54**	6,215	436
Other current liabilities	**8,592**	**549**	8,527	599
	47,324	**3,026**	59,812	4,200
Net current assets	**20,163**	**1,289**	31,978	2,246

(1) Translated into Hong Kong dollars at the rate of ¥15.64 to HK$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).

(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 2022, our net current assets totaled ¥31,978 million (equivalent to approximately HK$2,246 million) and ¥20,163 million (equivalent to approximately HK$1,289 million), respectively, and our current ratio were 1.5 and 1.4 respectively.

Summary of Financial Performance
Year ended 31 March

Gearing ratio

The gearing ratio is an indicator of our capital structure, which is calculated as total borrowings divided by total assets. Total borrowings comprised long and short-term bank borrowings. The gearing ratio increased from 11.3% as at 31 March 2021 to 14.7% as at 31 March 2022, primarily due to an increase in total borrowings.

Capital expenditures

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

PACHINKO BUSINESS

Our capital expenditures in pachinko business consist primarily of purchases of pachinko and pachslot machines, land, buildings including the cost of leasehold improvements, tools and equipment, motor vehicles and construction in progress. Our capital expenditures for the years ended 31 March 2021 and 2022 were ¥1,605 million (equivalent to approximately HK$113 million) and ¥45,166 million (equivalent to approximately HK$2,888 million), respectively.

AIRCRAFT LEASING BUSINESS

For the year ended 31 March 2022, the Group didn't acquire new aircraft related to the aircraft leasing business.

As a result, for the year ended 31 March 2022, the Group acquired property, plant and equipment of ¥1,605 million (equivalent to approximately HK$113 million) (2021: ¥45,166 million (equivalent to approximately HK$2,888 million)).

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

Inventories

Our total inventories decreased from ¥5,080 million (equivalent to approximately HK$357 million) as at 31 March 2021 to ¥1,064 million (equivalent to approximately HK$68 million) as at 31 March 2022. The decrease was primarily due to a decrease in stored goods of ¥3,852 million (equivalent to approximately HK$246 million).

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

Prizes in operation of pachinko halls

Our total prizes in operation of pachinko halls decreased from ¥3,685 million (equivalent to approximately HK$259 million) as at 31 March 2021 to ¥2,921 million (equivalent to approximately HK$187 million) as at 31 March 2022. The decrease was primarily attributable to a decrease in G-prize of ¥673 million (equivalent to approximately HK$43 million) and a decrease in general prize of ¥91 million (equivalent to approximately HK$6 million).

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

PLEDGE OF ASSETS

As at 31 March 2022, certain property, plant, and equipment which amounted to ¥16,306 million (equivalent to approximately HK$1,043 million) was pledged as securities for the bank borrowings.

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

CONTINGENT LIABILITIES

As at 31 March 2022, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The details to capital commitments are provided in note 48 to the consolidated financial statements of this annual report.

ACQUISITION AND DISPOSAL

For the year ended 31 March 2022, there was no material acquisition and disposal of any of our subsidiaries.

SIGNIFICANT INVESTMENTS

During the year ended 31 March 2022, our significant investments consist primarily of new halls opened and purchase of aircrafts for aircraft leasing business. The Group heavily invested in pachinko and pachislot machines and succeeded pachinko business through absorption type split for the year ended 31 March 2022. Please refer to note 11 and 23 respectively to the consolidated financial statements of this annual report.

PACHINKO BUSINESS

Save for the capital expenditure of pachinko business, set out in capital expenditure. The Group did not have any significant investments for the year ended 31 March 2022.

AIRCRAFT LEASING BUSINESS

The Group did not have any significant investments for the year ended 31 March 2022. The details of purchase of aircrafts are provided in "Management Discussion & Analysis" of this annual report.

EMPLOYEES

As at 31 March 2022, the Group had approximately 13,420 employees (31 March 2021: 16,104). The Group will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including housing fund schemes and discretionary incentive. The employee remuneration incurred for the year ended 31 March 2022 was ¥46,068 million (equivalent to approximately HK$2,946 million).

CAPITAL STRUCTURE

Principal sources of funds

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

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

Indebtedness

The Group newly entered into bank borrowing contracts in the amount of ¥12,000 million (equivalent to approximately HK$767 million) , ¥6,000 million (equivalent to approximately HK$384 million) and ¥1,000 million (equivalent to approximately HK$64 million) each in preparation for funds on demand of purchase of pachinko and pachislot machines and etc. during this fiscal year.

Our short-term and long-term borrowings outstanding as at 31 March 2022 were ¥12,945 million (equivalent to approximately HK$828 million) and ¥30,196 million (equivalent to approximately HK$1,931 million), respectively.

The borrowings as at 31 March 2022 include short-term borrowings of ¥1,317 million (equivalent to approximately HK$84 million) and long-term borrowings of ¥8,879 million (equivalent to approximately HK$568 million) related to aircraft leasing business. These borrowings are non-recourse loans which resource of repayments are limited to the cash flow generated by aircraft leasing business and the Group has no obligation to repay beyond that limit pursuant to the Loan Agreements to reduce the risk associated with the borrowings.

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

Loan facilities

At as 31 March 2022, we had a total amount of approximately ¥36,000 million (equivalent to approximately HK$2,302 million) of banking facilities and an installment facility available to us, of which approximately ¥31,992 million (equivalent to approximately HK$2,046 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.

Summary of Financial Performance
Year ended 31 March

This commitment line provides a revolving loan facility in the amount of up to ¥15,000 million (equivalent to approximately HK$959 million). The commitment of the lenders to provide loans under the revolving loan facility is available for the period from 30 December 2014, the execution date of the contract, to 31 March 2025.

Borrowings under the revolving loan facility bear interest at the rate of 0.3% per annum on top of the interest rate for the corresponding loan term published by the Japanese Bankers Association for euroyen TIBOR* (Tokyo Interbank Offered Rate), subject to adjustment from time to time.

On 31 August 2020, Dynam entered into a new commitment line contract with Aozora Bank in the amount of ¥3,000 million (equivalent to approximately HK$192 million). On 31 August 2021, the amount available was increased up to ¥5,000 million (equivalent to approximately HK$320 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$959 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks relating to pachinko hall operation business

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

Risks relating to Aircraft Leasing Business

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

FINANCIAL RISK

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

MARKET RISKS

Foreign currency risk

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

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

Price risk

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

Interest rate risk

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

CREDIT RISK

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

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

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

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

LIQUIDITY RISK

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

Compliance With Relevant Laws And Regulations

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

Never stop creating better values to reform pachinko into daily entertainment that everyone can enjoy.

We will continue to create further value to become an indispensable presence in the community so that people will say they are glad to have a pachinko hall nearby.

In the fiscal year ending 31 March 2022, the COVID-19 situation is still not under control. Although there are differences among countries and regions, the situation remains as severe as the previous fiscal year.

Under such circumstances, we strive to realize a safe and secure amusement environment in our core pachinko business by creating our own guidelines for infection prevention as an industry leader and thoroughly implementing necessary measures to prevent COVID-19 infection. As a result, even under the pre-emergency declaration and others to prevent the spread of the virus, we were able to continue our operations throughout the year, resulting in an operating profit of over ¥10.6 billion and net profit of over ¥4.9 billion for the fiscal year.

There have been no clusters of COVID-19 infections in pachinko halls all over Japan. We believe that our customers' sense of security toward pachinko halls is recovering gradually. The number of customers visiting the Group's pachinko halls has increased and returned to about 80% of the level before the COVID-19 pandemic. We will continue our efforts to prevent the spread of COVID-19 infection and to earn the confidence of everyone in the safety and security of our pachinko halls.

We feel that the fiscal year 2021 was a year in which the Group was able to gain new insights and discover various issues through its response to COVID-19 infection. We were able to gain valuable experiences that will lead us into the future. Our goal remains the same: We will continue to reform pachinko into a daily entertainment that everyone can enjoy. We will continue to create better values to become an indispensable presence in the community so that people can feel happy to have a pachinko hall in their neighborhood.

We have secured the same profitability as last year in the aircraft leasing business, even amidst the ongoing COVID-19 pandemic.

We would like to ask for the continued understanding and support of all those who have placed their trust in us.

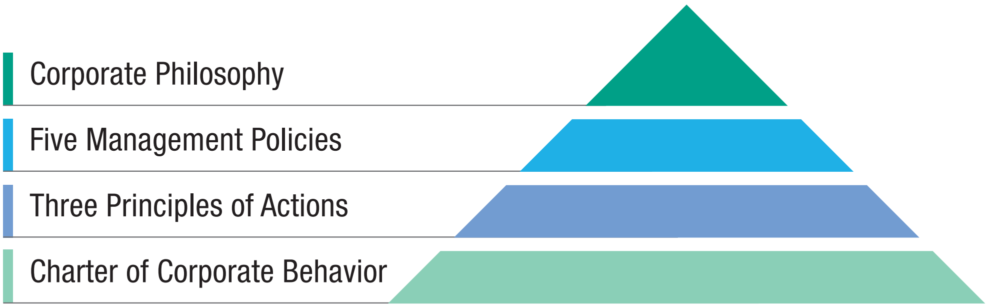
Chairman of the Board and Chief Executive Officer

Makoto SAKAMOTO

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

Philosophy Structure

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



A Centurial Commitment to Building Trust and Encouraging Dreams

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

Five Management Policies

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

Three Principles of Actions

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

Charter of Corporate Behavior

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

Improvements in Both Social Value and Economic Value through ESG

Improvement in Social Value

- Create value through ESG activities
- Initiatives to solve global environmental problems and issues faced by local communities

Improvement in Economic Value

- Increase profits through business expansion
- Generate future cash flow
- Improve capital efficiency
- Return profits based on capital policy

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

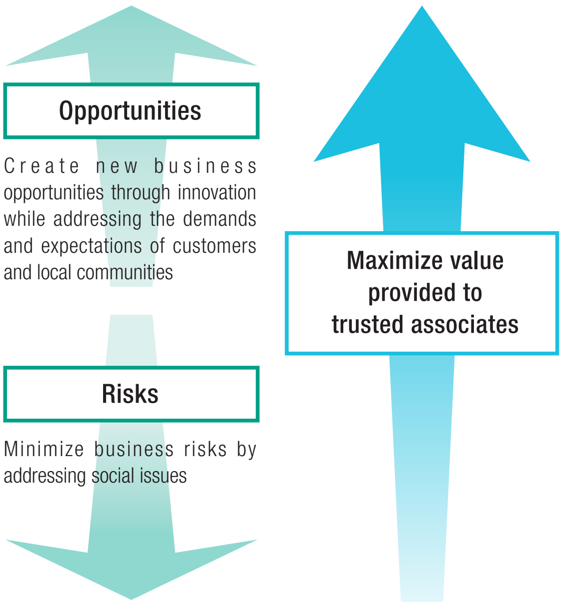
Social Contribution and Local Commitment

Pachinko experience at nursing care facilities

Disaster recovery support

Management of Risks and Opportunities

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



The ESG report 2022 will be published no longer than five month after the financial year-end.

The Company is a holding company which directly holds shares of 3 pachinko hall operators including Dynam and 5 other subsidiaries with other businesses. The Group operates pachinko hall business as its core business and has the largest pachinko hall chain in Japan with **433** halls as of 31 March 2022.

The Company

Pachinko Business

Dynam

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

Yume Corporation

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

Cabin Plaza

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

Dynam Business Support

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

Nihon Humap

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

Business Partners

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

Dynam Hong Kong

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

Aircraft Leasing Business

Dynam Aviation

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

Pachinko Business

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

Initiatives to Realize Everyday Entertainment

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

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

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

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

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

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

Multiple-hall development

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

Opening new standardized halls

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

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

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

Standardizing hall specifications

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

Wood-frame halls on land leased for 20 years

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

Acquiring other pachinko hall operators into the Group

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

Low-cost operations

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

Using second-hand gaming machines and establishing distribution centers

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

Use of Information and Communication Technology (ICT)

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.

Aircraft Leasing Business

The Company aspires to achieve 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 31 March 2022, the Company had three owned aircrafts, the aggregate net book value of the aircrafts was ¥17,000 million, the weighted average age was 3.1 years, and the weighted average remaining lease term was 3.6 years. As of 31 March 2022, the Company had a contract to acquire three new aircrafts in a sale and leaseback transaction, and the commitment amount was ¥21,667 million.

The composition of the owned aircraft and committed aircraft as of 31 March 2022:

Aircraft type	**Owned aircraft**	**Committed aircraft**	**Total**
Airbus A320-200	1	–	1
Airbus A320neo	1	–	1
Airbus A321neo	1	3	4
Total	3	3	6

Among three committed aircrafts as of 31 March 2022, it is estimated that 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.

During the Reporting Period, 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 was 8.8%. There was no revenue from the finance lease.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Former Code Provision E.1.3

Former code provision E.1.3 stipulates that notice for an annual general meeting (the "**AGM**") should be sent to the shareholders at least 20 clear business days before the meeting. The AGM for the year ended 31 March 2021 was held on 24 June 2021, while the AGM notice was dispatched on 2 June 2021. The above arrangement complies with the Articles of Incorporation in respect of the minimum notice period of 21 days but the AGM notice period is less than 20 clear business days before the AGM.

Under the Articles of Incorporation, the Company was required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2021). The Companies Act also requires the notice for the AGM to be dispatched together with the audited financial statements under Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalize the annual report which accompanies the AGM notice to be dispatched to the Shareholders.

Former E.1.3 in relation to the notice requirements of general meetings had been repealed with effect from 1 January 2022.

Code provision C.2.1 (former code provision A.2.1)

Code provision C.2.1 provides that the roles of chairman and chief executive should be performed by different individuals. During the Reporting Period, the roles of the chairman and chief executive were performed by Mr. Makoto SAKAMOTO.

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 Company and its subsidiaries, and this was beneficial and in the interests of the Company and the Shareholders. Further, the Board considers that a balance of power and authority was ensured by the Board composition during the Reporting Period, with over half of the Board members being independent non-executive Directors.

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

The Company has adopted the Model Code and the "Rules on Prevention of Insider Dealings" as code of conduct regarding Directors' transactions of the listed securities of the Company. The "Rules on Prevention of Insider Dealings", in addition to the Model Code, has been formulated and adopted by the Company at 1 April 2014 for Directors (last revised on 30 December 2021), executive officers and employees of the Company who are likely to have access to unpublished inside information of the Group. The Company has made specific enquiries to all of the Directors, and all the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the "Rules on Prevention of Insider Dealings" throughout the Reporting Period.

CORPORATE GOVERNANCE DUTIES

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

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

During the Reporting Period, the Board fulfilled the above corporate governance duties. Specifically, among others, the Board resolved to revise the "Shareholders' Communication Policy," the "Board Diversity Policy," and the terms of reference of the audit committee of the Company and set numerical targets regarding the gender diversity for the future in light of the Code revised as of 1 January 2022.

DIRECTOR'S INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Pursuant to the code provision C.1.4 (former code provision A.6.5) of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The purpose of the code provision is to get the Directors involved in the Board with an awareness of contribution thereto. The Company has arranged in house trainings for Directors in the form of attending seminars and reading materials. A summary of training received by Directors for the Reporting Period according to the records provided by the Directors is as follows:

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

THE BOARD

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

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

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

The Board currently consists of nine Directors, comprising one executive Director, three non-executive Directors and five independent non-executive Directors. Pursuant to the Articles of Incorporation, each of the executive Director, non-executive Directors and independent non-executive Directors was appointed for a term of one year at the AGM of the Company held in June 2021. The term of office of a Director shall expire at the end of the next AGM to be held after his appointment. Directors may serve any number of consecutive terms.

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

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

Number of meetings held/attended		
	Number of attendance	
Name of Director	**Board meetings**	**Shareholders' meeting**
Executive Director		
Mr. Makoto SAKAMOTO (Chairman of the Board)	13/13	1/1
Non-executive Directors		
Mr. Yoji SATO	13/13	1/1
Mr. Kohei SATO	13/13	1/1
Mr. Akira HOSAKA	13/13	1/1
Independent Non-executive Directors		
Mr. Mitsutoshi KATO	13/13	1/1
Mr. Thomas Chun Kee YIP	13/13	1/1
Mr. Kei MURAYAMA	13/13	1/1
Mr. Kiyohito KANDA	13/13	1/1
Mr. Koji KATO	13/13	1/1

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

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

Name of members	Number of attendance
Mr. Kiyohito KANDA	15/15
Mr. Thomas Chun Kee YIP	15/15
Mr. Koji KATO	15/15

To summarize the work performed by the Audit Committee during the Reporting Period, the Audit Committee had (1) reviewed the audited consolidated financial statements for the year ended 31 March 2021 and the unaudited interim financial statements for the six months ended 30 September 2021; (2) reviewed risk management and internal control systems of the Group; (3) reviewed and approved the remuneration and terms of engagement of the Company's auditor, and made recommendations to the Board and the Shareholders on the re-appointment of the Company's auditor; and (4) made recommendations to the Board for the revision of the terms of reference of the Audit Committee.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in accordance with the requirements of the Code. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one executive Director, namely Mr. Makoto SAKAMOTO.

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

The Remuneration Committee met 4 times during the Reporting Period. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Mitsutoshi KATO	4/4
Mr. Makoto SAKAMOTO	4/4
Mr. Kei MURAYAMA	4/4

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

Details of the Directors' remuneration are set out in note 53 to the financial statements in this report.

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

Remuneration bands	Number of individuals
HK$300,001 to HK$500,000 (equivalent to ¥4,692,016 to ¥7,820,000)	0
HK$500,001 to HK$1,000,000 (equivalent to ¥7,820,016 to ¥15,640,000)	0
HK$1,000,001 to HK$2,000,000 (equivalent to ¥15,640,016 to ¥31,280,000)	4
HK$2,000,001 to HK$4,000,000 (equivalent to ¥31,280,016 to ¥62,560,000)	0

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with the requirements of the Code. The Nomination Committee currently consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one executive Director, namely Mr. Makoto SAKAMOTO.

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

The Nomination Committee met 4 times during the Reporting Period. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Mitsutoshi KATO (appointed on 24 June 2020)	4/4
Mr. Makoto SAKAMOTO	4/4
Mr. Kei MURAYAMA	4/4

To summarize the work performed by the Nomination Committee during the Reporting Period, the Nomination Committee (1) reviewed the structure, size and composition of the Board; (2) reviewed the re-appointment of Directors with recommendations to the Shareholders for their approval at the AGM held in June 2021; (3) reviewed and recommended the appointment and re-appointment of directors and other officers of the Group (other than the Company); (4) reviewed the existing Nomination Policy and Diversity Policy and revised the Diversity Policy; (5) set measurable objectives to implement the Diversity Policy; and (6) assessed the independence of independent non-executive Directors. The Nomination Committee has reviewed the structure of the Board and confirmed that there is an appropriate balance of Board diversity.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

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

RISK MANAGEMENT, INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

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

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

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

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

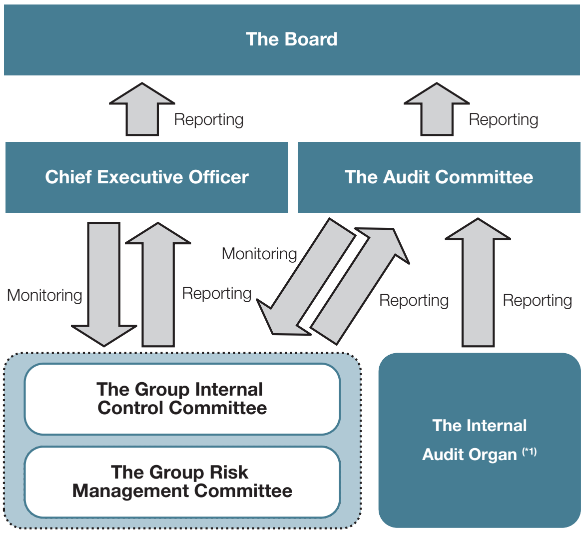
The Group regularly carries out internal audits and has in place the whistleblower system to avoid material internal control defects.

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

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

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

Structure of risk management and internal control systems



Description of the system

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

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

AUDITOR'S REMUNERATION

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

	¥ million	HK$ million(3)
Audit services(1)	97	6.2
Non-audit services(2)	4	0.3
Total fees	101	6.5

Notes:

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

(2) Non-audit services in connection with the international tax advisory.

(3) Translated into Hong Kong dollars at the rate of ¥15.64 to HK$1.00, the exchange rate prevailing on 31 March 2022.

SHAREHOLDERS’ RIGHTS

Rights to demand that Directors call a Shareholders’ meeting

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

Right to put enquiries to the Board

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

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

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

INVESTOR RELATIONS

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

CONSTITUTIONAL DOCUMENTS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

JOINT COMPANY SECRETARIES

Following the resignation of Mr. Norio HARASAWA as one of the joint company secretaries of the Company with effect from 1 July 2021, Mr. Atsushi NEGISHI has been appointed to fill the causal vacancy. The Company also engages Ms. WONG Sau Ping, an associate director of the listing services department of TMF Hong Kong Limited (a global corporate services provider), as one of its joint company secretaries. The primary corporate contact person of the Company is Mr. Atsushi NEGISHI, the other joint company secretary appointed by the Company on 1 July 2021. The Company has complied with Rule 3.29 of the Listing Rules since Ms. WONG Sau Ping and Mr. Atsushi NEGISHI have undertaken no less than 15 hours of relevant professional training during the Reporting Period.

DIVIDEND POLICY

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

Biographies of Directors and Senior Management

Executive Director

Executive Director, Chairman of the Board, President and Chief Executive Officer
Mr. Makoto SAKAMOTO (Age: 65)

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

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

Non-executive Director

Non-executive Director and Senior Corporate Advisor of the Board
Mr. Yoji SATO (Age: 76)

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

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

Non-executive Director and Senior Corporate Advisor of the Board
Mr. Akira HOSAKA (Age: 49)

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

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

Non-executive Director and Corporate Advisor of the Board
Mr. Kohei SATO (Age: 67)

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

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

Independent non-executive Director

Independent non-executive Director

Mr. Mitsutoshi KATO (Age: 64)

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

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

Independent non-executive Director

Mr. Kiyohito KANDA (Age: 57)

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

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

Independent non-executive Director

Mr. Koji KATO (Age: 54)

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

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

Independent non-executive Director

Mr. Thomas Chun Kee YIP (Age: 61)

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

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

Independent non-executive Director

Mr. Kei MURAYAMA (Age: 67)

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

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

Senior Management

Executive Director, Chairman of the Board, President and Chief Executive Officer
Mr. Makoto SAKAMOTO (Age: 65)

The biography of Mr. Makoto SAKAMOTO is provided on page 34 of this report.

Executive Officer
Mr. Hisao KATSUTA (Age: 70)

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

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

Executive Officer
Mr. Yoshiyuki MIZUTANI (Age: 65)

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

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

Executive Officer
Mr. Seiji OBE (Age: 57)

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

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

Executive Officer
Mr. Kimiharu SATO (Age: 47)

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

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

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND PROSPECT

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

RESULTS AND APPROPRIATIONS

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

DECLARATION OF FINAL DIVIDEND

The Board proposed to declare a final dividend of ¥2.6 per ordinary Share for the Reporting Period on 25 May 2022, and the final dividend will be payable on 24 June 2022 to the Shareholders whose names appear on the Company's share register at close of business on 6 June 2022. Based on the assumption that 722,565,496 Shares shall be in issue as at 6 June 2022, it is expected that the final dividend payable will amount to approximately ¥1,878 million (equivalent to approximately HK$120 million). No Shareholder has waived or agreed to waive any dividends.

The exchange rate for the conversion of Japanese yen to Hong Kong dollar for the dividend distributed to Shareholders in Hong Kong dollar will be based on the average currency exchange rates prevailing five business days immediately before 25 May 2022.

FINANCIAL HIGHLIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

BORROWING

Particulars of borrowing of the Group as at 31 March 2022 are set out in note 35 to the Financial Statements.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

The Company's reserves for distribution refer to retained profits and other capital surplus. In the opinion of the Directors, as at 31 March 2022, the Company had reserves available for distribution to its Shareholders of ¥20,204 million (2021: ¥20,388 million).

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

During the Reporting Period, the Company repurchased its Shares on the Hong Kong 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
December 2021	1,242,400	6.88	6.45	8,407,716
January 2022	1,973,200	7.04	6.90	13,755,324
February 2022	1,303,800	7.19	7.03	9,301,656
March 2022	4,421,000	7.27	7.04	31,881,996
	30,135,800			221,209,270

All of the above-described Shares repurchased were subsequently cancelled. The number of issued Shares as of 31 March 2022 was 722,862,896.

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.

PUBLIC FLOAT

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Director

Makoto SAKAMOTO re-appointed on 24 June 2021

Non-executive Directors

Yoji SATO re-appointed on 24 June 2021
Kohei SATO re-appointed on 24 June 2021
Akira HOSAKA re-appointed on 24 June 2021

Independent Non-executive Directors

Mitsutoshi KATO re-appointed on 24 June 2021
Thomas Chun Kee YIP re-appointed on 24 June 2021
Kei MURAYAMA re-appointed on 24 June 2021
Kiyohito KANDA re-appointed on 24 June 2021
Koji KATO re-appointed on 24 June 2021

DIRECTORS' BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

(i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares(1)	Approximate Percentage of Interests in the Company(2)
Mr. Yoji SATO	Interest of controlled corporations(3)	273,632,560	
	Interest of spouse(3)	760	
	Other(4)	171,171,800	
		444,805,120	61.53%
Mr. Kohei SATO	Beneficial owner(5)	53,639,680	
	Interest of spouse(5)	1,500,000	
	Other(4)	389,665,440	
		444,805,120	61.53%
Mr. Makoto SAKAMOTO	Beneficial owner	22,000	0.00%
Mr. Akira HOSAKA	Beneficial owner	78,121	0.01%

Notes:

(1) All interests stated are long positions.

(2) There were 722,862,896 Shares in issue as at the end of the Reporting Period.

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

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

(5) Mr. Kohei SATO, one of the Sato Family Members, was re-appointed as a non-executive Director on 24 June 2021. He is beneficially interested in 53,639,680 Shares. Mrs. Shizuka SATO, his wife, is beneficially interested in 1,500,000 Shares, and such interests are deemed to be Mr. Kohei SATO's interests under the SFO.

(ii) Interests in the associated corporation

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

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

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

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

Name	Nature of Interest/Capacity	Number of Shares(1)	Approximate Percentage of Interests in the Company(2)
SAC	Beneficial owner(3)	177,822,560	
	Interest of controlled corporation(3)	95,810,000	
		273,632,560	37.85%
Rich-O	Beneficial owner(3)	95,810,000	13.25%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	11.07%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse(4)	273,632,560	
	Other(5)	171,171,800	
		444,805,120	61.53%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation(6)	14,580,104	
	Other(5)	410,645,440	
		444,805,120	61.53%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other(5)	403,829,440	
		444,805,120	61.53%
Mrs. Yaeko NISHIWAKI	Beneficial owner	20,379,576	
	Interest of controlled corporation(7)	20,517,184	
	Other(5)	403,908,360	
		444,805,120	61.53%
Mrs. Shizuka SATO	Beneficial owner	1,500,000	
	Interest of spouse(8)	53,639,680	
		55,139,680	7.63%

Notes:

(1) All interests stated are long positions.

(2) There were 722,862,896 Shares in issue as at the end of the Reporting Period.

(3) See Note (3) on page 40 of this annual report.

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

(5) See Note (4) on page 40 of this annual report.

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

During the Reporting Period, the Group did not conduct any connected transactions as defined under the Listing Rules.

INTERESTS OF DIRECTORS IN A COMPETING BUSINESS

During the Reporting Period and up to the date of this annual report, none of the Directors was considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of Mr. Yoji SATO, Mr. Kohei SATO, Mrs. Keiko SATO, Mrs. Yaeko NISHIWAKI, Mr. Masahiro SATO, Mr. Shigehiro SATO, Rich-O and SAC, each controlling Shareholder (as defined in the Listing Rules), has confirmed to the Company that he/she/it has complied with the terms of the deed of non-competition dated as of 18 July 2012 (as amended by the supplemental deed to deed of non-competition dated as of 26 September 2018 and the 2nd Supplemental Deed dated as of 29 April 2020) (the "**Deed of Non-competition**") during the Reporting Period. The independent non-executive Directors have also reviewed the compliance with the Deed of Non-competition and are of the view that the said controlling Shareholders had not breached the terms of the Deed of Non-competition during the Reporting Period.

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

DIRECTOR'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

On 29 April 2020, the Group has entered into with SAC Aircraft Leasing Members, the new cooperation framework agreement (the "**New Cooperation Framework Agreement**"). Pursuant to the New Cooperation Framework Agreement, the Group and the SAC Aircraft Leasing Members have agreed to cooperate with each other in respect of wider business opportunities for the Aircraft Leasing Business. For details, please refer to the announcement of the Company dated 29 April 2020 and the circular of the Company dated 2 June 2020.

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

CONTROLLING SHAREHOLDERS' INTEREST

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

REMUNERATION POLICY

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

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

Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in notes 20 and 53 to the Financial Statements respectively.

PERMITTED INDEMNITY

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

MANAGEMENT CONTRACTS

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

DONATIONS

During the Reporting Period, the Group made donations of approximately ¥93 million.

MAJOR CUSTOMERS AND SUPPLIERS

Pachinko hall operation business

(1) **Major Customers**

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

(2) **Major Suppliers**

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

The largest supplier:	
G-prize supplier	53.4%
General prize supplier	54.6%
Pachinko and pachislot machine supplier	31.7%

Top five suppliers:	
G-prize supplier	96.8%
General prize supplier	91.0%
Pachinko and pachislot machine supplier	50.3%

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

Aircraft Leasing Business

(1) **Major Customers**

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

The largest customer:	64.6%
Top five customers:	99.7%

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

(2) **Major Suppliers**

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

COMPLIANCE WITH THE CODE

In the opinion of the Directors, the Company has complied with the Code throughout the Reporting Period, save for certain derivations. The corporate governance report is set out on pages 26 to 33 of this annual report.

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

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

AUDITOR

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The ESG Report 2022 for the Reporting Period will be published separately by 31 August 2022.

By order of the Board
Makoto SAKAMOTO
Chairman of the Board

Japan, 25 May 2022

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

OPINION

What we have audited

The consolidated financial statements of DYNAM JAPAN HOLDINGS Co., Ltd. (the "Company") and its subsidiaries (together, "the Group") set out on pages 51 to 137, which comprise:

- the consolidated statement of financial position as at 31 March 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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KEY AUDIT MATTERS

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

Key audit matter identified in our audit are summarised as follows:

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to note 23. PROPERTY, PLANT AND EQUIPMENT, note 24. LEASES and note 26. INTANGIBLE ASSETS to the consolidated financial statements. The Group has reported significant net book value of property, plant and equipment, right-of-use assets and goodwill balances of ¥118,648 million, ¥73,850 million and ¥2,549 million, respectively, as at 31 March 2022. Most of the property, plant and equipment, right-of-use assets and goodwill relates to the Group's pachinko halls. The Group has considered an individual pachinko hall as a cash-generating unit ("CGU") based on business activities at an impairment test. An impairment test requires exercise of significant management judgement to determine the recoverable amounts of cash generating units (CGUs). The recoverable amounts of CGUs are based on the higher of fair value less costs of disposal and value in use calculations that require significant management judgement with respect to determining the pre-tax discount rate and underlying cash flows, in particular with respect to future revenue growth rates and recoverable rate from coronavirus infection on the business plans approved by the management for the following years. Based on the management's impairment assessments, the impairment losses of ¥1,360 million and ¥1,069 million for the property, plant and equipment and the right-of-use assets, respectively, was recognised for the year. No impairment loss relating to the goodwill was recorded for the year. We identified this matter as the key audit matter in our audit given that the net book value of property, plant and equipment, right-of-use assets and goodwill balances are material, and pre-tax discount rate, the future revenue growth rates and recoverable rate on the business plans for the following years, used to determine the recoverable amounts of the CGUs, are highly involved by the management judgement under the outbreak of the coronavirus (COVID-19) since January 2020.	As part of our audit, we performed the following procedures related to the management's impairment assessment: • Obtained, understood and evaluated the impairment assessment process used by the management's, management's valuation methodology for impairment, fair value less costs of disposal and value in use calculations; • Assessed the reasonableness of key assumptions used in the calculation of discounted future cash flows, such as the pre-tax discount rate, revenue growth rate and recoverable rate, by reference to management's forecast, the Group's past performance and our knowledge of the Group's business and industry, taking into consideration the Group's strategy to shift its focus to low playing cost games and the challenging business environment that the entire industry has to face; • Evaluated the impact of COVID-19 especially in the key assumptions used in the calculation of discounted future cash flows, such as the impact to the business performance due to the fluctuation in the customers visited at the halls under the environment to limit the flows of the people required under the restriction by the Japanese and local governments and recovery plan with the COVID-19 in the future; • Agreed key assumptions to supporting evidence, such as the approved budgets upon which forecasts were based. We evaluated the reasonableness of using these as a basis for estimating future cash flows, in particular, for the CGUs that had lower headroom between the carrying values and the value in use; • Tested mathematical accuracy of the calculation of value in use derived from each discounted future cash flow; • Tested the calculation of the impairment loss by comparing the carrying amount of the CGU with the recoverable amounts , and verified the amount of loss was recognized for the year ended 31 March 2022; and • Evaluated the appropriateness of the related disclosures including those relating to the key assumptions and sensitivities. We determined the assumptions made by management in relation to the value in use calculations and the future cash flows to be supportable based on and consistent with the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor’s report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers Aarata LLC
Certified Public Accountants
Japan

Japan, 25 May 2022

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2022

	Note	**2022** **¥ million**	2021 ¥ million
Revenue	9,10	**105,141**	98,602
Revenue from pachinko business	9,10	**103,588**	97,141
Revenue from aircraft leasing business	9,10	**1,553**	1,461
Pachinko business expenses	12	**(93,950)**	(96,673)
Aircraft leasing expenses	13	**(961)**	(891)
General and administrative expenses	14	**(4,279)**	(4,340)
Other income	16(a)	**9,114**	11,561
Other operating expenses	16(b)	**(4,411)**	(1,531)
Operating profit		**10,654**	6,728
Finance income	17	**426**	286
Finance expenses	18	**(2,571)**	(2,672)
Profit before income tax		**8,509**	4,342
Income taxes	19	**(3,532)**	(1,991)
Net profit for the year		**4,977**	2,351
Net profit attributable to:			
Owners of the Company		**4,997**	2,363
Non-controlling interests		**(20)**	(12)
Net profit		**4,977**	2,351
Earnings per share	22		
Basic (¥)		**6.8**	3.1
Diluted (¥)		**6.8**	3.1

The notes on pages 58 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2022

	Note	**2022** **¥ million**	2021 ¥ million
Net profit for the year		**4,977**	2,351
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive (loss)/income		**(1,650)**	526
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income/(loss)		**3**	(33)
		(1,647)	493
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2,128**	409
		2,128	409
Other comprehensive income for the year, net of tax	44	**481**	902
Total comprehensive income for the year		**5,458**	3,253
Attributable to:			
Owners of the Company		**5,480**	3,265
Non-controlling interests		**(22)**	(12)
Net profit		**5,458**	3,253

The notes on pages 58 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

AT 31 MARCH 2022

	Note	**2022** **¥ million**	2021 ¥ million
Non-current assets			
Property, plant and equipment	23,48	**118,648**	96,415
Right-of-use assets	24	**73,850**	77,537
Investment properties	25	**3,263**	2,619
Intangible assets	26	**3,440**	3,348
Financial assets measured at fair value through other comprehensive income	27	**2,255**	3,405
Lease receivables	28	**6,483**	5,275
Deferred tax assets	38	**10,964**	13,412
Other non-current assets	29	**7,031**	7,272
		225,934	209,283
Current assets			
Inventories	30	**1,064**	5,080
Trade receivables	49(b)	**332**	361
Lease receivables	28	**1,977**	2,007
Prizes in operation of pachinko halls	31	**2,921**	3,685
Income tax receivables		**671**	3,172
Other current assets	32	**4,014**	2,824
Cash and cash equivalents	33	**56,508**	74,661
		67,487	91,790
TOTAL ASSETS		**293,421**	301,073
Current liabilities			
Trade and other payables	34	**12,312**	19,997
Borrowings	35	**12,945**	11,380
Lease liabilities	24(f)	**11,245**	12,040
Provisions	39	**1,386**	1,653
Income taxes payables		**844**	6,215
Other current liabilities	37	**8,592**	8,527
		47,324	59,812
Net current assets		**20,163**	31,978
Total assets less current liabilities		**246,097**	241,261

Consolidated Statement of Financial Position (Continued)

AT 31 MARCH 2022

	Note	2022 ¥ million	2021 ¥ million
Non-current liabilities			
Deferred tax liabilities	38	**116**	56
Borrowings	35	**30,196**	22,587
Lease liabilities	24(f)	**78,017**	79,899
Other non-current liabilities	40	**1,170**	1,150
Provisions	39	**5,616**	5,597
		115,115	109,289
NET ASSETS		**130,982**	131,972
Capital and reserves			
Share capital	41	**15,000**	15,000
Capital reserve	43(c)	**8,152**	11,304
Treasury shares	41	**(35)**	–
Retained earnings	43(c)	**108,840**	107,104
Other components of equity	43(c)	**(920)**	(1,403)
Equity attributable to owners of the Company		**131,037**	132,005
Non-controlling interests		**(55)**	(33)
TOTAL EQUITY		**130,982**	131,972

The notes on pages 58 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2022

		Attributable to equity holders of the Company										
						Other component of equity						
	(Note)	Share capital ¥ million	Capital reserve ¥ million	Treasury shares ¥ million	Retained earnings ¥ million	Fair value of financial assets at FVTOCI ¥ million	Foreign currency translation reserve ¥ million	Other reserves ¥ million	Total ¥ million	Total ¥ million	Non-controlling interests ¥ million	Total equity ¥ million
At 1 April 2020		15,000	12,741	–	109,317	(3,400)	1,090	5	(2,305)	134,753	(21)	134,732
Profit for the year		–	–	–	2,363	–	–	–	–	2,363	(12)	2,351
Other comprehensive income for the year		–	–	–	–	493	409	–	902	902	(0)	902
Total comprehensive income for the year		–	–	–	2,363	493	409	–	902	3,265	(12)	3,253
Acquisition of treasury shares		–	–	(1,437)	–	–	–	–	–	(1,437)	–	(1,437)
Cancellation of treasury shares		–	(1,437)	1,437	–	–	–	–	–	–	–	–
2021 dividend		–	–	–	(4,576)	–	–	–	–	(4,576)	–	(4,576)
Total changes in equity for the year		–	(1,437)	–	(2,213)	493	409	–	902	(2,748)	(12)	(2,760)
At 31 March 2021		15,000	11,304	–	107,104	(2,907)	1,499	5	(1,403)	132,005	(33)	131,972
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 year		**–**	**–**	**–**	**4,997**	**–**	**–**	**–**	**–**	**4,997**	**(20)**	**4,977**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(1,647)**	**2,130**	**–**	**483**	**483**	**(2)**	**481**
Total comprehensive income for the year		**–**	**–**	**–**	**4,997**	**(1,647)**	**2,130**	**–**	**483**	**5,480**	**(22)**	**5,458**
Acquisition of treasury shares	41	**–**	**–**	**(3,187)**	**–**	**–**	**–**	**–**	**–**	**(3,187)**	**–**	**(3,187)**
Cancellation of treasury shares	41	**–**	**(3,152)**	**3,152**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2022 dividend	21	**–**	**–**	**–**	**(3,261)**	**–**	**–**	**–**	**–**	**(3,261)**	**–**	**(3,261)**
Total changes in equity for the year		**–**	**(3,152)**	**(35)**	**1,736**	**(1,647)**	**2,130**	**–**	**483**	**(968)**	**(22)**	**(990)**
At 31 March 2022		**15,000**	**8,152**	**(35)**	**108,840**	**(4,554)**	**3,629**	**5**	**(920)**	**131,037**	**(55)**	**130,982**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 ¥ million	2021 ¥ million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**8,509**	4,342
Adjustments for:			
Finance expenses		**2,571**	2,672
Finance income		**(426)**	(286)
Depreciation of property, plant and equipment		**21,859**	10,249
Depreciation of right-of-use assets		**9,332**	9,971
Amortisation of intangible assets		**328**	384
Loss on sales and disposals of property, plant and equipment		**313**	138
Impairment loss on property, plant and equipment		**1,360**	90
Impairment loss on right-of-use assets		**1,069**	126
Fair value loss from investment properties		**121**	280
Others		**(441)**	(413)
Operating profit before working capital changes:		**44,595**	27,553
Decrease in prizes in operation of pachinko halls		**764**	889
Decrease/(increase) in inventories		**102**	(1,691)
Decrease in trade receivables		**32**	192
Decrease/(increase) in other non-current assets		**168**	(47)
Increase in other current assets		**(1,140)**	(1,367)
Decrease in finance lease receivables		**527**	380
(Decrease)/increase in trade and other payables		**(5,687)**	5,444
Increase /(decrease) in other current liabilities		**51**	(146)
(Decrease)/increase in other non-current liabilities		**(5)**	99
Decrease in current provisions		**(258)**	(411)
Others		**0**	15
Cash generated from operations		**39,149**	30,910
Income taxes (paid)/refund		**(3,756)**	939
Finance expenses paid		**(2,674)**	(2,408)
Net cash generated from operating activities		**32,719**	29,441

Consolidated Statement of Cash Flows (Continued)

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 ¥ million	2021 ¥ million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(42,940)**	(1,787)
Proceeds from sales of property, plant and equipment		**635**	130
Proceeds from sales of investment properties		**–**	87
Purchase of intangible assets		**(102)**	(175)
Proceeds from sales of financial assets measured at fair value through other comprehensive income		**14**	13
Payments for business combinations	11	**(850)**	–
Payments for asset retirement obligations		**(83)**	(84)
Collection of loans receivables		**–**	0
Payment of rental deposits		**(124)**	(114)
Proceeds from refund of rental deposits		**212**	363
Finance income received		**228**	378
Others		**–**	1
Net cash used in investing activities		**(43,010)**	(1,188)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised	36	**27,452**	33,484
Repayment of bank loans	36	**(19,014)**	(12,963)
Repayment of leases liabilities	36	**(10,555)**	(10,051)
Acquisition of treasury shares	41	**(3,187)**	(1,437)
Dividends paid	21	**(3,261)**	(4,576)
Net cash (used in)/generated from financing activities		**(8,565)**	4,457
Effects of exchange rate changes on cash and cash equivalents		**703**	141
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(18,153)**	32,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**74,661**	41,810
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	**56,508**	74,661
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		**56,508**	74,661

The notes on pages 58 to 137 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company as at 31 March 2022 consist of the Company and its subsidiaries (the "Group"). The Group has identified and disclosed two reportable segments, namely 'Pachinko business' and 'Aircraft leasing business'.

The consolidated financial information was approved and authorised for issuance by the Board of Directors on 25 May 2022.

In the opinion of the directors of the Company, as at 31 March 2022, Mr. Yoji Sato and Sato Family Members are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. USE OF ESTIMATES AND JUDGEMENTS

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

5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new amendments to existing standards have been issued and effective for annual periods beginning on 1 April 2021 with no material 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'

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

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year 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

7. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Consolidation

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

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

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

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

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

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

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

Comprehensive losses arising from subsidiaries, profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Merger accounting for business combinations under common control

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

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

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

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

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

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

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

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

— consideration transferred,

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Separate financial statements

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Translation on consolidation

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Translation on consolidation *(Continued)*

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

(f) ***Segment reporting***

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

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

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

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

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

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

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

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

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

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

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

The Group as lessee

(i) Right-of-use asset

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

(ii) Lease liability

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group as lessee *(Continued)*

(ii) *Lease liability (Continued)*

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

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

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

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

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

The Group as lessor

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

(i) *Finance leases*

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group as lessor *(Continued)*

(ii) *Operating leases*

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

(iii) *Subleases*

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

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

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

(i) ***Investment properties***

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

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets

(i) Goodwill

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

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

(ii) Trademarks and Computer software

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

Trademarks	10 years
Computer software	5 years

(iii) Lease Intangible assets and liabilities

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

(i) Supplies

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

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

(ii) Property under development for sale

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

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

(l) Prizes in operation of pachinko halls

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

(m) Financial assets

(i) Derivative instruments and hedge accounting

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Non-derivative financial assets

Initial Recognition and measurement

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

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

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

Subsequent measurement

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

(1) Financial assets measured at amortised cost

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

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Subsequent measurement (Continued)

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

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

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

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

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

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

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

Dividends from these investments are recognised in profit or loss.

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Impairment

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

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

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

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

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

(iv) Derecognition of financial assets

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

(v) Presentation of financial assets and liabilities

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities

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

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

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

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

(o) Cash and cash equivalents

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

(p) Revenue recognition

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

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Revenue from pachinko business

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

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

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

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

Revenue from aircraft leasing business

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

Other service income is recognised as follows.

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

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

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Grants from the government

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

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

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

(r) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Defined contribution retirement plans

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

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

During the year ended 31 March 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: Nil). The Group has no plan to utilise any amount from forfeited contributions to reduce its contributions for the future year either.

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation

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

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

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

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

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

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

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

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

(t) Impairment of non-financial assets

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of goodwill

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

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

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

(u) Provisions

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

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

(v) Maintenance reserves

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

(w) Treasury share

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

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

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

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

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

(b) Impairment of goodwill

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

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

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

(c) Income taxes

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

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

For all regions where the Group operates pachinko halls, there remain negative effects from emergence of new variants of coronavirus and so forth whereas a sign of a huge recovery on economic activities is seen due to the progress in the vaccination rate and etc.

In view of the above, the Group estimates the future cash flows based on the assumption that revenue from pachinko business will be arriving at the approximately same level of the year of 31 March 2020 (before the spread of the coronavirus) over a few years.

9. REVENUE

	2022 **¥ million**	2021 ¥ million
Gross pay-ins	**506,949**	475,163
Less: Gross payouts	**(403,361)**	(378,022)
Revenue from pachinko business	**103,588**	97,141
Revenue from aircraft leasing business	**1,553**	1,461
Revenue	**105,141**	98,602

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

10. SEGMENT INFORMATION

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

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.

10. SEGMENT INFORMATION *(Continued)*

The segment information provided to the executive directors for the year ended 31 March 2022 and 2021 are as follows:

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

	Year ended 31 March 2022				
	Pachinko business ¥ million	Aircraft leasing business ¥ million	Segment Total ¥ million	Unallocated ¥ million	Total ¥ million
Segment revenue from external customers	103,588	1,553	105,141	–	105,141
Other segment items					
Depreciation and amortization expenses	(30,497)	(750)	(31,247)	(142)	(31,389)
Impairment loss	(2,350)	–	(2,350)	(80)	(2,430)
Finance income	239	1	240	186	426
Finance expenses	(2,225)	(343)	(2,568)	(3)	(2,571)
Segment profit	13,113	252	13,365	–	13,365
Corporate expenses					(4,856)
Profit before income taxes					8,509
Income taxes					(3,532)
Net profit for the year					4,977
Addition to non-current assets other than financial instruments and deferred tax assets	55,172	–	55,172	166	55,338

10. SEGMENT INFORMATION *(Continued)*

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

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

10. SEGMENT INFORMATION *(Continued)*

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

The segment assets and segment liabilities as at 31 March 2022 and 2021 are as follows:

	As at 31 March 2022				
	Pachinko business ¥ million	Aircraft leasing business ¥ million	Segment Total ¥ million	Unallocated ¥ million	Total ¥ million
Segment assets	**241,121**	**22,431**	**263,552**	**29,869**	**293,421**
Segment liabilities	**98,728**	**20,761**	**119,489**	**42,950**	**162,439**

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

(b) ***Information about geographical areas***

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

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

	Year ended 31 March 2022		
	Japan ¥ million	Europe ¥ million	Total ¥ million
Segment revenue from external customers	**103,588**	**1,553**	**105,141**

10. SEGMENT INFORMATION *(Continued)*

(b) Information about geographical areas (Continued)

	As at 31 March 2022		
	Japan	**Europe**	**Total**
	¥ million	**¥ million**	**¥ million**
Segment non-current assets other than financial instruments and deferred tax assets	**182,315**	**17,488**	**199,803**

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

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

(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.

(d) Additional information

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 the depreciation period of 2 years based on the changes in the environment of the usage of the machines. 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.

Due to this, compared to the case with the previous accounting treatment for expensing pachinko and pachislot machines upon purchase, depreciation expenses and losses on disposal of property, plant and equipment, etc. increased by ¥12,674 million and ¥615 million respectively while pachinko and pachislot machine expenses decreased by ¥42,247 million for the year ended 31 March 2022. As a result, operating profit and profit before income taxes for the year ended 31 March 2022 increased by ¥28,958 million respectively. In addition, pachinko and pachislot machines of ¥28,958 were included in property, plant and equipment in the consolidated statement of financial position. This change has an impact on Pachinko business segment.

11. BUSINESS COMBINATION

(a) The outline of the absorption type split

The Group succeeded part of the pachinko business split off by Marukin Co., Ltd and Meizichisho corporation through Yume Corporation, our subsidiary, as a successor of the pachinko business with an effective date of 20 January 2022.

The absorption type split was executed through a simplified absorption type split pursuant to the provision of Article 796, paragraph 2 of the Japan Company Law.

(b) The purpose of the absorption type split

The purpose of the absorption type split is to expand the Group's existing scale of operation and the Group's market share.

(c) Acquisition price and its components

	¥ million
Cash	850

Acquisition-related costs of ¥13 million indirectly attributable to the absorption type split were incurred in general and administrative expenses in profit and loss.

(d) Fair value of assets and liabilities and goodwill on the acquisition date

	Fair value ¥ million
Property, plant and equipment	438
Deferred tax assets	140
Total assets	578
Goodwill	272

Neither cash and cash equivalents nor liability is succeeded.

The goodwill arising from this absorption type split is mainly attributable to the expected excess earning power in the Group' operations of pachinko business. It will be deductible for tax purpose.

The fair value of assets acquired above is the amount recognised as of the acquisition date and adjusted for depreciation, amortisation and etc at the year end closing.

(e) Impact on the consolidated profit and loss

There is little impact on the consolidated profit and loss for the year ended 31 March 2022 due to this absorption type split.

(f) Pro forma information

Assuming that the date of the acquisition of this acquisition was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended March 31, 2022 would not be material.

12. PACHINKO BUSINESS EXPENSES

	2022 ¥ million	2021 ¥ million
Advertising expenses	**2,849**	1,793
Cleaning and ancillary services	**2,435**	3,130
Depreciation expenses (*1)	**21,019**	9,457
Hall staff costs	**39,656**	41,402
Pachinko and pachislot machine expenses (*2)	**3,229**	16,489
Depreciation expenses of right-of-use assets	**9,274**	9,895
Rental expenses	**117**	50
Repair and maintenance expenses	**2,265**	1,735
Utilities expenses	**5,088**	4,659
Others	**8,018**	8,063
	93,950	96,673

(*1) An increase in depreciation expenses is mainly attributable to an increase in depreciation expenses arising from pachinko and pachislot machines. Please refer to (d) Additional information in Note 10 "SEGMENT INFORMATION " for more detail.

(*2) A decrease in PACHINKO BUSINESS EXPENSES was primarily due to a decrease in pachinko and pachislot machine expenses. Please refer to (d) Additional information in Note 10 "SEGMENT INFORMATION" for more detail.

13. AIRCRAFT LEASING EXPENSES

	2022 ¥ million	2021 ¥ million
Depreciation expenses	**632**	594
Amortisation expenses	**118**	111
Others	**211**	186
	961	891

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 ¥ million	2021 ¥ million
Fees, salaries, bonus and allowances	**2,940**	2,960
Audit fee	**97**	99
Non-audit fee	**4**	3
Others	**1,238**	1,278
	4,279	4,340

15. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2022 ¥ million	2021 ¥ million
Fees, salaries, bonus and allowances	**45,138**	47,575
Contribution to defined contribution retirement plans	**930**	948
	46,068	48,523

16. OTHER INCOME AND OTHER OPERATING EXPENSES

(a) *Other income*

	2022 ¥ million	2021 ¥ million
Commission from vending machines and in-store sales	**3,136**	3,035
Income from forfeiture of customer's membership cards	**146**	146
Income from catering services	**643**	413
Sales revenue from property held for sale	**64**	21
Revenue from finance leases	**30**	116
Net gains on disposals of used machines	**911**	150
Rental income	**642**	622
Government grants (*)	**2,456**	5,544
Others	**1,086**	1,514
	9,114	11,561

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

(b) *Other operating expenses*

	2022 ¥ million	2021 ¥ million
Disposal cost of non-financial assets	**905**	225
Impairment loss of non-financial assets	**2,430**	215
Cost of sales of property held for sale	**39**	10
Cost of sales of finance leases	**19**	60
Rental cost	**131**	130
Others	**887**	891
	4,411	1,531

17. FINANCE INCOME

	2022 ¥ million	2021 ¥ million
Bank interest income	**13**	22
Finance leases interest income	**189**	164
Dividend income	**27**	26
Foreign exchange gain, net	**67**	–
Others	**130**	74
	426	286

18. FINANCE EXPENSES

	2022 ¥ million	2021 ¥ million
Interest expenses	**566**	511
Amortisation of syndicated loan charges	**80**	74
Foreign exchange loss, net	**–**	31
Interest on lease liabilities	**1,851**	1,973
Others	**74**	83
	2,571	2,672

19. INCOME TAXES

	2022 ¥ million	2021 ¥ million
Current taxes — Japan Profits Tax		
Provision for the year	**876**	686
Under-provision in the year	**7**	–
	883	686
Current taxes — Overseas		
Provision for the year	**2**	9
	2	9
Deferred taxes (Note 38)		
Provision for the year	**2,647**	1,296
Income tax expense	**3,532**	1,991

Hong Kong profits tax included in overseas taxation above has been provided at a rate of approximately 16.5% on the estimated assessable profit for the year ended 31 March 2022.

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

	2022 ¥ million	2021 ¥ million
Profit before tax	**8,509**	4,342
Japan Profits Tax rate	**31%**	31%
Tax at the domestic income tax rate	**2,677**	1,366
Tax effect of income that is not taxable	**(2)**	(2)
Tax effect of expenses that are not deductible	**556**	506
Tax effect of temporary differences not recognised	**275**	21
Tax losses not recognised	**74**	178
Under provision in prior years	**7**	–
Effect of different tax rates of subsidiaries	**(51)**	(103)
Others	**(4)**	25
Income tax expense	**3,532**	1,991

20. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included three (2021: three) directors whose emoluments are reflected in the analysis presented in Note 53.

The emoluments of the remaining two (2021: two) individuals are set out below:

	2022 ¥ million	2021 ¥ million
Fees, salaries and allowances	50	46
Discretionary bonus	2	–
	52	46

The remuneration fell within the following bands is as follows:

	2022 Number of individuals	2021 Number of individuals
HK$1,500,001 to HK$2,000,000 (equivalent to ¥23,460,016 to ¥31,280,000) (2021: equivalent to ¥21,360,014 to ¥28,480,000)	2	2
HK$2,000,001 to HK$2,500,000 (equivalent to ¥31,280,016 to ¥39,100,000) (2021: equivalent to ¥28,480,014 to ¥35,600,000)	–	–
HK$2,500,001 to HK$3,000,000 (equivalent to ¥39,100,016 to ¥46,920,000) (2021: equivalent to ¥35,600,014 to ¥42,720,000)	–	–
HK$3,000,001 to HK$3,500,000 (equivalent to ¥46,920,016 to ¥54,740,000) (2021: equivalent to ¥42,720,014 to ¥49,840,000)	–	–

No remunerations were paid by the Group to any of the directors or chief executive officer or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 March 2022 (2021: Nil).

FOR THE YEAR ENDED 31 MARCH 2022

21. DIVIDENDS

	2022		2021	
Dividends declared and paid/payable to its shareholders by:	**Dividend per share ¥**	**Total dividends ¥ million**	Dividend per share ¥	Total dividends ¥ million
— Interim	**2.40**	**1,756**	3.00	2,278
— Final	**2.60**	**1,878**	2.00	1,505
		3,634		3,783

On 25 May 2022, the Board of Directors declared a final dividend of ¥2.60 per ordinary share of the Company, which is payable on 24 June 2022 to the shareholders of the Company.

The amount of proposed final dividend for the year ended 31 March 2022 is based on 722,565,496 shares in issue as at 25 May 2022 when the consolidated financial statements were approved by the Board of directors.

If the Group owns any treasury shares as at 6 June 2022 when is the dividend record date, the amount of proposed final dividend represents the number of shares in issue, which excludes the number of treasury shares owned by the Group as at the date, multiplied by the amount of dividend per share.

22. EARNINGS PER SHARE

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

	2022 ¥ million	2021 ¥ million
Earnings for the purpose of calculating basic earnings per share	**4,997**	2,363
Weighted average number of ordinary shares	**737,594,048**	761,174,145
Basic earnings per share (¥)	**6.8**	3.1

Diluted earnings per share was the same as basic earnings per share for the year ended 31 March 2022 and 2021 as there were no dilutive potential ordinary shares in existence during the year ended 31 March 2022 and 2021.

23. PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥ million	Buildings including leasehold improvements ¥ million	Tools and equipment ¥ million	Motor vehicles ¥ million	Pachinko and pachislot machines ¥ million	Aircrafts ¥ million	Construction in progress ¥ million	Total ¥ million
Cost								
At 1 April 2020	32,162	150,276	78,781	230	–	16,555	588	278,592
Additions	–	74	56	7	–	–	1,468	1,605
Transfer	–	986	976	1	–	–	(1,963)	–
Transfer to investment property (note 24)	(46)	(35)	–	–	–	–	–	(81)
Sales/disposals	(28)	(1,352)	(1,002)	(2)	–	–	–	(2,384)
Translation	3	32	17	0	–	288	(13)	327
At 31 March 2021 and 1 April 2021	32,091	149,981	78,828	236	–	16,843	80	278,059
Acquisitions through business combinations (Note 11)	220	–	–	–	29	–	189	438
Additions	–	288	163	10	42,218	–	2,209	44,888
Transfer	–	238	695	2	–	–	(935)	–
Transfer to investment property (note 24)	(490)	(1,259)	–	–	–	–	–	(1,749)
Sales/disposals	(129)	(1,478)	(1,486)	(10)	(928)	–	–	(4,031)
Translation	1	112	39	4	–	1,778	1	1,935
At 31 March 2022	31,693	147,882	78,239	242	41,319	18,621	1,544	319,540
Accumulated depreciation and impairment								
At 1 April 2020	3,199	107,765	62,022	182	–	218	–	173,386
Charge for the year	–	4,996	4,639	20	–	594	–	10,249
Impairment loss	16	43	31	–	–	–	–	90
Transfer to investment property (note 24)	–	(27)	–	–	–	–	–	(27)
Sales/disposals	–	(1,167)	(927)	(2)	–	–	–	(2,096)
Translation	–	5	5	–	–	32	–	42
At 31 March 2021 and 1 April 2021	3,215	111,615	65,770	200	–	844	–	181,644
Charge for the year	–	4,675	3,861	17	12,674	632	–	21,859
Impairment loss	405	786	134	–	35	–	–	1,360
Transfer to investment property (note 25)	–	(1,070)	–	–	–	–	–	(1,070)
Sales/disposals	–	(1,315)	(1,411)	(9)	(348)	–	–	(3,083)
Translation	–	17	18	2	–	145	–	182
At 31 March 2022	3,620	114,708	68,372	210	12,361	1,621	–	200,892
Carrying amount								
At 31 March 2022	28,073	33,174	9,867	32	28,958	17,000	1,544	118,648
At 31 March 2021	28,876	38,366	13,058	36	–	15,999	80	96,415

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

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

	2022 **¥ million**	2021 ¥ million
Freehold		
Japan	**28,037**	28,840
South Korea	**36**	36
	28,073	28,876

(b) At 31 March 2022, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to ¥23,159 million (2021: ¥21,853 million).

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

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

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

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

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

Except for the recovery rate from coronavirus infection below, the revenue growth rates are estimated zero at 31 March 2022 and 2021, respectively.

An explanation of the effects of coronavirus (COVID-19) infection on future cash flows used for the calculation of the recoverable amount of property, plant and equipment as of 31 March 2022 is provided in note 8. The Group estimates the future cash flows based on the assumption using the recovery rate as described in Note 8. The recovery rate using a calculation of value in use is 7.5%-8.4%.

Whereas the fair value less cost of disposal at 31 March 2022 was valued by JLL Morii Valuation & Advisory K.K. ("JLL") and Valor Appraisal & Advisory Limited ("Valor"), which are independent and qualified firms of real estate appraiser.

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

	2022 **%**	2021 %
Pre-tax discount rate	**2.9**	3.8

Impairment loss recognised for the year ended 31 March 2022 amounted to ¥1,360 million (2021: ¥90 million).

This impairment loss is mainly incurred in pachinko business.

24. LEASES

The Group as lessee

(a) Leasing Activities

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

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

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

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

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

(b) Relating to the statement of financial position

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

	2022 **¥ million**	2021 ¥ million
Properties	**73,591**	77,192
Tools and equipment	**17**	53
Motor vehicles	**117**	107
Others	**125**	185
Right-of-use assets	**73,850**	77,537

	2022 **¥ million**	2021 ¥ million
Additions to right-of-use assets	**9,771**	14,106

The effect of the coronavirus (COVID-19)

An explanation of the effects of coronavirus (COVID-19) infection on future cash flows used for the calculation of the recoverable amount of right-of-use asset as of 31 March 2022 is provided in note 8.

24. LEASES *(Continued)*

The Group as lessee *(Continued)*

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

	2022 ¥ million	2021 ¥ million
Depreciation expense of right-of-use assets by class of underlying assets		
Properties	**9,214**	9,789
Tools and equipment	**41**	81
Motor vehicles	**17**	36
Others	**60**	65
	9,332	9,971
Interest expense on lease liabilities	**1,851**	1,973
Total	**11,183**	11,944
Expense relating to short-term leases for which the recognition exemption is applied (leases with a lease term of up to one month can be excluded)	**55**	82
Expense relating to leases of low-value items for which the recognition exemption is applied (expense relating to short-term leases of low-value assets shall not be included)	**58**	59
Lease expenses	**11,296**	12,085

Impairment loss recognised for the year ended 31 March 2022 amounted to ¥1,069 million (2021: ¥126 million).

This impairment loss is mainly incurred in pachinko business.

(d) Relating to the statement of cash flows

	2022 ¥ million	2021 ¥ million
Total cash outflow for leases	**12,519**	12,024

(e) Additional disclosures about leasing activities

	2022 ¥ million	2021 ¥ million
Leases not yet commenced to which the lessee is committed	**16,109**	8,990

24. LEASES *(Continued)*

The Group as lessee *(Continued)*

(f) At 31 March 2022, maturity analysis of the lease liabilities are as follows:

	2022 **¥ million**	2021 ¥ million
Within one year	**11,245**	12,040
In the second to fifth years, inclusive	**29,245**	32,353
After five years	**48,772**	47,546
	89,262	91,939
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(11,245)**	(12,040)
Amount due for settlement after 12 months	**78,017**	79,899

The Group as lessor

(a) Leasing Activities

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

The average lease term of properties held for sale is 15 years (2021: 15 years) and the average lease term of aircrafts is 3.6 years (2021: 4.5 years) respectively.

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

	2022 **¥ million**	2021 ¥ million
Selling profit or loss	**30**	116
Finance income on the net investment in the lease	**189**	164
Revenue from finance leases	**219**	280
Revenue from operating leases	**1,553**	1,461
Revenue from leases	**1,772**	1,741

(c) Residual value risk on assets under lease

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

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

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

25. INVESTMENT PROPERTIES

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

	2022 ¥ million	2021 ¥ million
Non-current asset — at fair value	**2,619**	2,928
At beginning of year		
Disposals	**–**	(98)
Transfer from property, plant and equipment	**679**	54
Net loss from fair value adjustment	**(120)**	(280)
Translation	**85**	15
At end of year	**3,263**	2,619

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

	2022 ¥ million	2021 ¥ million
In Hong Kong		
Buildings on leasehold	**923**	883
In Japan		
Freehold	**1,128**	1,013
Buildings on leasehold	**1,212**	723
	3,263	2,619

Amounts recognised in profit or loss for investment properties:

	2022 ¥ million	2021 ¥ million
Amounts recognised in profit or loss for investment properties are as follows:		
Rental income	**642**	622
Direct operating expenses from properties	**(131)**	(130)
Net loss on sales of investment properties	**–**	(11)
Fair value loss recognised in other operating expenses	**(120)**	(280)
Total	**391**	201

25. INVESTMENT PROPERTIES *(Continued)*

(a) Fair value measurements

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

(b) Fair value estimation

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

For the calculation of the fair value of Investment properties as of 31 March 2022 determined by JLL and Valor, the Group estimated the negative effect of coronavirus (COVID-19) on valuation of rental yields in price surveys of investment properties.

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

(c) Recognised fair value measurements

Based on the fair value at 31 March 2022 by JLL and Valor and 2021 determined by JLL the Group performed valuation of its investment properties at 31 March 2022 and 2021 as follows:

At 31 March 2022

	Fair value measurements using:			
Description	**Level 1 ¥ million**	**Level 2 ¥ million**	**Level 3 ¥ million**	**Total ¥ million**
Investment properties				
Freehold	**–**	**–**	**1,128**	**1,128**
Buildings on leasehold	**–**	**–**	**2,135**	**2,135**
Total recurring fair value measurements	**–**	**–**	**3,263**	**3,263**

At 31 March 2021

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

25. INVESTMENT PROPERTIES *(Continued)*

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

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

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

The financial controller updates his assessment of the fair value of each property, based on the fair value at 31 March 2022 determined by JLL and the fair value at 31 March 2021 determined by JLL and Valor.

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

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

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

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

The changes in level 3 items for the year ended 31 March 2022 and 2021 for recurring fair value measurements:

	2022 **¥ million**	2021 ¥ million
Balance at beginning of the period	**2,619**	2,928
Disposals	**–**	(98)
Transfer from property, plant and equipment	**679**	54
Net loss from fair value adjustment	**(120)**	(280)
Translation	**85**	15
Balance at end of the period	**3,263**	2,619

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

2022 **¥ million**	2021 ¥ million
(120)	(320)

25. INVESTMENT PROPERTIES *(Continued)*

(f) Valuation inputs and relationships to fair value

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

Description	**Valuation technique**	**Unobservable inputs**	**Range of unobservable inputs 2022**	Range of unobservable inputs 2021	**Fair value 2022 ¥ million**	Fair value 2021 ¥ million	**Relationship of unobservable input to fair value when the unobservable input increases**
Investment properties	Income approach	Discount rate	**6.0%–12.0%**	12.0%			Decrease
		Rental period	**0.5–21 years**	1.5–22 years			Increase
		Capitalisation rate	**6.0%–10.0%**	6.0%–12.0%			Decrease
		Market rent	**¥ 471–¥14,216 per tsubo**	¥ 471–¥14,216 per tsubo	**1,834**	1,562	Increase
	Sales comparison approach	Transaction price for similar land	**¥22,430–¥190,026 per square meter**	¥20,752–¥171,349 per square meter			Increase
		Adjustment for attributes of the subject (*)	**54.0%**	54.0%	**965**	925	Increase
	Cost approach	Replacement Cost-Lands	**¥13,600–¥22,500 per square meter**	¥13,700 per square meter			Increase
		Replacement Cost-Buildings	**¥80,000–¥165,000 per square meter**	¥80,000–¥165,000 per square meter			Increase
		Accumulated depreciation rate	**0%–100.0%**	0%–100.0%	**464**	132	Decrease
					3,263	2,619	

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

(g) Valuation process

An explanations of valuation process is provided in note 51.

26. INTANGIBLE ASSETS

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

	Goodwill ¥ million	Trademarks ¥ million	Computer software ¥ million	Lease Intangible ¥ million	Total ¥ million
Cost					
At 1 April 2020	2,677	44	3,611	721	7,053
Additions	–	–	107	–	107
Disposals	–	–	(11)	–	(11)
Translation	–	–	(0)	13	13
At 31 March 2021 and 1 April 2021	2,677	44	3,707	734	7,162
Acquisitions through business combinations (Note 11)	272	–	–	–	272
Additions	–	–	126	–	126
Disposals	–	–	(135)	–	(135)
Translation	–	–	–	78	78
At 31 March 2022	2,949	44	3,698	812	7,503
Accumulated depreciation and impairment					
At 1 April 2020	400	38	2,934	58	3,430
Amortisation for the year	–	2	273	109	384
Disposals	–	–	(9)	–	(9)
Impairment loss	–	–	0	–	0
Translation	–	–	–	9	9
At 31 March 2021 and 1 April 2021	400	40	3,198	176	3,814
Amortisation for the year	–	2	209	118	329
Disposals	–	–	(109)	–	(109)
Impairment loss	–	–	1	–	1
Translation	–	–	–	28	28
At 31 March 2022	400	42	3,299	322	4,063
Net book value					
At 31 March 2022	2,549	2	399	490	3,440
At 31 March 2021	2,277	4	509	558	3,348

26. INTANGIBLE ASSETS *(Continued)*

(a) Impairment test for goodwill

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

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

A summary of the goodwill allocation is presented below.

Name of pachinko hall	¥ million
KAKOGAWA (Hyogo Prefecture)	500
TAKAYAMA (Gifu Prefecture)	300
HAMAMATSU OYAGI (Shizuoka Prefecture)	272
Others	1,477
At 31 March 2022	2,549

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

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

An explanation of the effects of coronavirus (COVID-19) infection on future cash flows is provided in note 8.

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

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

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

26. INTANGIBLE ASSETS *(Continued)*

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

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

Key assumptions	**2022**	2021
Revenue (unit: million yen) (% annual growth rate) (*)	**¥245 million–¥706 million (0%) (*) For the year ending 31 March 2024 and thereafter In addition, 7.5% of the recovery rate from coronavirus infection with an upper limit, 85% of actual results for the fiscal year ended 31 March 2020 is taken into consideration.**	¥197 million–¥624 million (0%) (*) For the year ending 31 March 2023 and thereafter
Operating costs (unit: million yen)	**¥199 million–¥400 million**	¥200 million–¥518 million
Pre-tax discount rate	**2.9%**	3.8%

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

Key assumptions	**Approach used to determining values**
Revenue (% annual growth rate)	Revenue is based on the business plans approved by the management, which reflects the management's assessment of the industry future trend and the past practices, and the average annual revenue growth rate of the business plans and thereafter is conservatively determined taking into consideration the Group's strategy and a business environment. An explanation of the effects of coronavirus (COVID-19) infection on future cash flows used for the calculation of the recoverable amount of the CGU as of 31 March 2022 is provided in note 8 except for the growth rate above based on the approved plan.
Operating costs	Management forecasts operating costs of the CGUs based on the current structure of the business, which does not reflect any future restructuring or cost saving measures.
Pre-tax discount rate	Determined taking into account the weighted average cost of capital ("WACC").

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

There are no impairment losses recognised during the year ended 31 March 2022 (2021: Nil).

26. INTANGIBLE ASSETS *(Continued)*

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

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

The total recoverable amount of individual pachinko halls (CGUs) that are expected to benefit from the synergies from the acquisition of Yume Corporation is estimated at ¥45,372 million at 31 March 2022. This exceeds the total carrying amount of the CGUs, which goodwill has been allocated to, at 31 March 2022 by ¥36,478 million.

In the CGU, which has the minimum excess amount of the recoverable amount to the carrying amount, the recoverable amount of this CGU would equal its carrying amount if the pre-tax discount rate increases by 8.2 percentage points, the revenue decreases by ¥31 million (equivalent to increasing rate of 12.7%) or the operating costs increase by ¥30 million (equivalent to increasing rate of 15.2%) respectively.

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

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

	2022 **¥ million**	2021 ¥ million
Equity securities at fair value, listed in Hong Kong	**897**	2,047
Equity securities at fair value, listed in Japan	**481**	491
Others	**877**	867
	2,255	3,405

28. LEASE RECEIVABLES

The Group as lessor — Finance Lease Receivables

Maturity analysis of the finance lease receivables are as follows:

	Lease payments receivable	
	2022	2021
	¥ million	¥ million
Within one year	**2,166**	2,185
In the second year	**1,444**	1,375
In the third year	**741**	673
In the fourth year	**475**	436
In the fifth year	**461**	392
After five years	**4,769**	3,626
Total	**10,056**	8,687
Less: Unearned finance income	**(1,596)**	(1,405)
Less: Present value of unguaranteed residual value	**–**	–
Net investment in the lease	**8,460**	7,282
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,977)**	(2,007)
Amount due for settlement after 12 months	**6,483**	5,275

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

The average lease term is 15 years (2021: 15 years).

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

Finance lease receivables are secured by the leased assets the Group retains the right to use for the lease period.

There is no significant past due balance nor loss allowance provision recognised for finance lease receivables as at 31 March 2022 (2021: Nil).

28. LEASE RECEIVABLES *(Continued)*

Operating Lease Receivables

At 31 March 2022, maturity analysis of the undiscounted operating lease receivables are as follows:

	2022 **¥ million**	2021 ¥ million
Within one year	**1,686**	1,525
In the second year	**1,686**	1,525
In the third year	**1,269**	1,525
In the fourth year	**1,136**	1,147
In the fifth year	**198**	1,027
After five years	**–**	179
	5,975	6,928

The Group leases aircrafts under operating leases.

The average lease term is 3.6 years (2021: 4.5 years).

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

Operating lease receivables are secured by the leased assets the Group retains the right to use for the lease period.

29. OTHER NON-CURRENT ASSETS

	2022 **¥ million**	2021 ¥ million
Rental prepayment	**359**	418
Rental deposits	**5,996**	6,030
Prepayment for lender commitment fee	**58**	38
Construction assistance fund receivables	**240**	274
Advance payment of insurance premiums	**87**	174
Others	**291**	338
	7,031	7,272

FOR THE YEAR ENDED 31 MARCH 2022

30. INVENTORIES

	2022 ¥ million	2021 ¥ million
Supplies (*)	**276**	4,128
Properties held for sale and under development for sale	**301**	452
Others	**487**	500
	1,064	5,080

(*) The main reason for the decrease was unused pachinko and pachislot machines were included in construction in progress due to the change in accounting treatment for unused pachinko and pachislot machines as property, plant and equipment. Please refer to (d) additional information in Note 10 "SEGMENT INFORMATION" for more detail.

31. PRIZES IN OPERATION OF PACHINKO HALLS

	2022 ¥ million	2021 ¥ million
G-prize	**2,251**	2,924
General prize	**670**	761
	2,921	3,685

32. OTHER CURRENT ASSETS

	2022 ¥ million	2021 ¥ million
Rental prepayment	**464**	475
Prepayment for lender commitment fee	**50**	49
Advance payment of insurance premiums	**100**	106
Government grant receivables	**608**	1,217
Consumption taxes refund receivables	**1,627**	10
Others	**1,165**	967
	4,014	2,824

33. CASH AND CASH EQUIVALENTS

	2022 **¥ million**	2021 ¥ million
Cash on hand	**6,637**	5,603
Cash at bank	**49,871**	69,058
Cash and cash equivalents	**56,508**	74,661

As at 31 March 2022, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to ¥122 million (2021: ¥156 million). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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

	2022 **¥ million**	2021 ¥ million
JPY	**49,066**	67,941
HKD	**330**	243
USD	**6,574**	5,811
Others	**538**	666
	56,508	74,661

34. TRADE AND OTHER PAYABLES

	2022 **¥ million**	2021 ¥ million
Trade payables	**977**	1,032
Halls construction and system payables	**651**	658
Other tax expenses	**1,738**	7,245
Pachinko and pachislot machine payables	**2,258**	4,363
Accrued staff costs	**5,365**	5,395
Advertisement and promotions	**104**	76
Housing rent	**195**	205
Others	**1,024**	1,023
	12,312	19,997

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

	2022 **¥ million**	2021 ¥ million
1 to 30 days	**973**	1,025
31 days to 60 days	**–**	–
Over 60 days	**4**	7
	977	1,032

35. BORROWINGS

	2022 ¥ million	2021 ¥ million
Bank loans	**43,141**	33,967

The borrowings are repayable as follows:

	2022 ¥ million	2021 ¥ million
On demand or within one year	**12,945**	11,380
In the second year	**7,764**	7,221
In the third to fifth years	**11,678**	13,991
After five years	**10,754**	1,375
	43,141	33,967
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(12,945)**	(11,380)
Amount due for settlement after 12 months	**30,196**	22,587

Notes:

(a) The weighted average interest rates per annum as at 31 March 2022 and 2021 were set out as follows:

	2022 ¥ million	2021 ¥ million
Bank loans	**1.1**	1.4

(b) The borrowings as at 31 March 2022 and 2021 were secured by the following:

	2022 ¥ million	2021 ¥ million
Property, plant and equipment	**16,306**	16,125

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

Although some of the Group's borrowings have financial covenants that require the maintenance of a certain level of net assets, profit and etc., there is no event that triggers the violation of such financial covenants.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021	Cash flows	Non-cash changes: New lease contract	Non-cash changes: Foreign exchange movement	Non-cash changes: Non current transfer to current	Others	2022
	¥ million						¥ million
Borrowings — non current	22,587	9,089	–	866	(2,124)	(222)	**30,196**
Borrowings — current	11,380	(651)	–	125	2,124	(33)	**12,945**
Lease liabilities — non current	79,899	(10,504)	9,771	–	649	(1,798)	**78,017**
Lease liabilities — current	12,040	(51)	–	–	(649)	(95)	**11,245**
Total liabilities from financing activities	125,906	(2,117)	9,771	991	–	(2,148)	**132,403**

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

37. OTHER CURRENT LIABILITIES

	2022 **¥ million**	2021 ¥ million
Contract liabilities	**7,308**	6,563
Others	**1,284**	1,964
	8,592	8,527

Details of contract liabilities as at 31 March 2022 and 1 April 2021 are as follows:

	31 March 2022 **¥ million**	1 April 2021 ¥ million
Unutilised balls and tokens	**7,308**	6,563

38. DEFERRED TAX

	Property, plant and equipment ¥ million	**Staff costs** ¥ million	**Unutilised balls and tokens** ¥ million	**Pre-paid rent** ¥ million	**Pachinko and pachislot machines** ¥ million	**Investment properties** ¥ million	**Lease** ¥ million	**Others** ¥ million	**Total** ¥ million
At 1 April 2020	827	1,563	380	1,562	5,066	65	3,859	1,363	14,685
Credit/(charge) to equity for the year — origination and reversal of temporary differences	–	–	–	–	–	–	–	(33)	(33)
Credit/(charge) to profit or loss for the year (Note 19) — origination and reversal of temporary differences	(58)	(350)	42	207	(1,271)	105	(568)	597	(1,296)
At 31 March 2021 and 1 April 2021	**769**	**1,213**	**422**	**1,769**	**3,795**	**170**	**3,291**	**1,927**	**13,356**
Acquisition through business combination (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**140**	**140**
Credit/(charge) to equity for the year — origination and reversal of temporary differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**
Credit/(charge) to profit or loss for the year (Note 19) — origination and reversal of temporary differences	**348**	**(22)**	**18**	**801**	**(2,917)**	**(430)**	**(274)**	**(175)**	**(2,651)**
At 31 March 2022	**1,117**	**1,191**	**440**	**2,570**	**878**	**(260)**	**3,017**	**1,895**	**10,848**

38. DEFERRED TAX *(Continued)*

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

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

At 31 March 2022, the Group has unused tax losses of ¥3,421 million (2021: ¥3,232 million) and temporary differences of ¥1,042 million (2021: ¥341 million) for which no deferred tax asset has been recognised.

At 31 March 2022 and 2021, maturity analysis of the tax losses for which no deferred tax assets has been recognised are as follows:

	2022 **¥ million**	2021 ¥ million
Within one year	**61**	14
In the second year	**4**	118
In the third year	**820**	45
In the fourth year	**431**	79
In the fifth year	**618**	749
After five years	**1,487**	2,227
Total	**3,421**	3,232

39. PROVISIONS

	Asset retirement obligation (Note (i)) ¥ million	**Staff vacation payable** (Note (ii)) ¥ million	**Total** ¥ million
At 1 April 2020	5,600	2,054	7,654
Provision for the year	(84)	(410)	(494)
Changes in present value	90	–	90
At 31 March 2021	5,606	1,644	7,250
Provision for the year	(65)	(258)	(323)
Changes in present value	75	–	75
At 31 March 2022	**5,616**	**1,386**	**7,002**

39. PROVISIONS *(Continued)*

Analysed as:

	2022 ¥ million	2021 ¥ million
Current liabilities	**1,386**	1,653
Non-current liabilities	**5,616**	5,597
	7,002	7,250

Notes:

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

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

40. OTHER NON-CURRENT LIABILITIES

	2022 ¥ million	2021 ¥ million
Retirement benefit payables converting to the defined contribution plan	**191**	194
Rental deposits received	**345**	290
Maintenance reserves	**272**	169
Others	**362**	497
	1,170	1,150

41. SHARE CAPITAL AND TREASURY SHARE

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

	Note	2022 Number of ordinary share	2022 ¥ million	2021 Number of ordinary share	2021 ¥ million
Authorised					
At the beginning		**2,520,000,000**	**–**	2,520,000,000	–
At the end		**2,520,000,000**	**–**	2,520,000,000	–
Issued and fully paid:					
At the beginning		**752,701,296**	**15,000**	765,985,896	15,000
Decrease in issued and fully paid shares	(i)	**29,838,400**	**–**	13,284,600	–
At the end		**722,862,896**	**15,000**	752,701,296	15,000

41. SHARE CAPITAL AND TREASURY SHARE *(Continued)*

Notes:

(i) The Decrease of 29,838,400 shares and 13,284,600 is due to the cancellation of shares subject to Article 178 of the Japan Company Law.

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

	Note	2022 Number of ordinary share	2022 ¥ million	2021 Number of ordinary share	2021 ¥ million
At the beginning		**–**	**–**	–	–
Increase in treasury shares	(i) (ii)	**30,135,800**	**3,187**	13,284,600	1,437
Decrease in treasury shares	(iii)	**29,838,400**	**3,152**	13,284,600	1,437
At the end		**297,400**	**35**	–	–

Notes:

(i) The increase of 30,135,800 treasury shares consists of: 30,135,800 shares acquired as treasury shares subject to Article 156 (replacement of the third paragraph of Article 165) of the Company Law of Japan (the Japan Company Law)

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

Month/Year	**Number of Shares repurchased**	**Aggregate consideration paid ¥ million**
June 2021	3,726,600	383
July 2021	5,242,600	547
August 2021	8,270,000	872
September 2021	3,956,200	440
December 2021	1,242,400	123
January 2022	1,973,200	204
February 2022	1,303,800	138
March 2022	4,421,000	480
	30,135,800	3,187

41. SHARE CAPITAL AND TREASURY SHARE *(Continued)*

Notes: (Continued)

(ii) The increase of 13,284,600 treasury shares consists of: 13,284,600 shares acquired as treasury shares subject to Article 156 (replacement of the third paragraph of Article 165) of the Company Law of Japan (the Japan Company Law)

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

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

(iii) The decrease of 29,838,400 and 13,284,600 treasury shares is due to the cancellation of shares subject to Article 178 of the Japan Company Law.

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

FOR THE YEAR ENDED 31 MARCH 2022

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 ¥ million	2021 ¥ million
Investments in subsidiaries		**83,942**	81,019
Other non-current assets		**612**	597
Due from subsidiaries — current portion	(i)	**427**	14,175
Other current assets		**18,072**	26,306
TOTAL ASSETS		**103,053**	122,097
Due to subsidiaries — current portion	(ii)	**6,297**	24,915
Current tax liabilities		**33**	36
Other current liabilities		**485**	190
Other non-current liabilities		**3,207**	572
TOTAL LIABILITIES		**10,022**	25,713
Share capital		**15,000**	15,000
Reserves		**78,031**	81,384
TOTAL EQUITY		**93,031**	96,384
TOTAL LIABILITIES AND EQUITY		**103,053**	122,097

Notes:

(i) Due from subsidiaries — current portion

1. Included in the current portion of the amounts due from subsidiaries at 31 March 2022 was an amount of ¥350 million (2021: ¥14,100 million) which is unsecured, interest bearing at fixed interest rates of 12-month TIBOR plus 0.6% per annum at contract dates, thus exposing the Company to fair value interest rate risk and is repayable at the specific dates.

2. Remaining current portion of the amounts due from subsidiaries as at 31 March 2022 and 31 March 2021, respectively, represents non-interest bearing balance and is traded in nature.

(ii) Due to subsidiaries — current portion

1. Included in the current portion of the amounts due to subsidiaries at 31 March 2022 was an amount of ¥6,262 million (2021: ¥24,878 million) which is unsecured, interest bearing at interest rates of ordinary deposit per annum presented by Sumitomo Mitsui Banking Corporation, thus exposing the Company to fair value interest rate risk and has no fixed term of repayment.

2. Remaining current portion of the amounts due to subsidiaries as at 31 March 2022 and 31 March 2021, respectively, represents non-interest bearing balance and is traded in nature.

43. RESERVES

(a) Group

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

(b) Company

	Capital reserve (Note 43(c)) ¥ million	Treasury shares ¥ million	Retained earnings ¥ million	Fair value of financial assets measured at FVTOCI ¥ million	Total ¥ million
At 1 April 2020	57,362	–	25,454	–	82,816
Total comprehensive income for the year	–	–	4,581	–	4,581
Acquisition of treasury shares	–	(1,437)	–	–	(1,437)
Cancellation of treasury shares	(1,437)	1,437	–	–	–
2021 dividend paid	–	–	(4,576)	–	(4,576)
At 31 March 2021 and 1 April 2021	**55,925**	**–**	**25,459**	**–**	**81,384**
Total comprehensive income for the year	**–**	**–**	**3,095**	**–**	**3,095**
Acquisition of treasury shares	**–**	**(3,187)**	**–**	**–**	**(3,187)**
Cancellation of treasury shares	**(3,152)**	**3,152**	**–**	**–**	**–**
2022 dividend paid	**–**	**–**	**(3,261)**	**–**	**(3,261)**
At 31 March 2022	**52,773**	**(35)**	**25,293**	**–**	**78,031**

(c) Nature and purpose of reserves

The Capital reserve consists of Capital surplus and Legal reserve.

(i) Capital surplus

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

(ii) Legal reserve

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

43. RESERVES *(Continued)*

(d) *Basis for profit appropriation*

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

44. OTHER COMPREHENSIVE INCOME

	Amount recorded during the year ¥ million	**Amount before income tax ¥ million**	**Income tax effect ¥ million**	**Amount after income tax ¥ million**
At 31 March 2022				
Changes in fair value of financial assets measured at FVTOCI	**(1,650)**	**(1,650)**	**3**	**(1,647)**
Exchange differences on translating foreign operations	**2,128**	**2,128**	**–**	**2,128**
Total	**478**	**478**	**3**	**481**

	Amount recorded during the year ¥ million	Amount before income tax ¥ million	Income tax effect ¥ million	Amount after income tax ¥ million
At 31 March 2021				
Changes in fair value of financial assets measured at FVTOCI	526	526	(33)	493
Exchange differences on translating foreign operations	409	409	–	409
Total	935	935	(33)	902

45. LIST OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2022 and 2021 are as follows:

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			2022	2021	
Directly held					
Dynam	Japan 25 July 1967	¥5,000,000,000	**100%**	100%	Operation of pachinko halls
Cabin Plaza	Japan 25 May 1988	¥10,000,000	**100%**	100%	Operation of pachinko halls
Yume Corporation	Japan 14 December 1970	¥50,000,000	**100%**	100%	Operation of pachinko halls
Dynam Business Support	Japan 31 October 2003	¥1,020,000,000	**100%**	100%	Real estate and property management Provision of accounting and administration services
Dynam Hong Kong Co., Limited	Hong Kong 7 January 2013	HK$800,000,000	**100%**	100%	Investment holding
Nihon Humap	Japan 1 November 1982	¥100,000,000	**100%**	100%	Operation of restaurants Cleaning services for Pachinko Halls
Business Partners	Japan 11 January 2011	¥30,000,000	**100%**	100%	Office cleaning services Manufacture and sales of household supplies
Dynam Aviation Ireland Limited	Ireland 13 December 2018	USD1,000,000	**100%**	100%	Aircraft Leasing

45. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing 2022	2021	Principal activities
Indirectly held					
Kanto Daido	Japan 22 January 1992	¥50,000,000	**100%**	100%	Trading of pachinko machines
Erin International Co., Ltd.	Mongolia 30 May 2003	MNT3,254,222,125	**87.61%**	87.61%	Operation of international freight forwarding services and contracting services for construction works, property transactions and management services
Erin Finance Non-Banking Finance Institution Limited Liability Company	Mongolia 18 February 2019	MNT2,501,000,000	**87.61%**	87.61%	Non-Banking Finance
Beijing GEO	PRC 4 August 2004	RMB51,998,200	**100%**	100%	Sales of coffee beans
Rich-O Korea	South Korea 27 February 2006	KRW675,000,000	**100%**	100%	Trading of LCD monitors
Genghis Khan	Japan 13 November 2003	¥47,000,000	**100%**	100%	Travel agency
P Insurance	Japan 28 January 2005	¥10,000,000	**100%**	100%	Insurance agency
Dynam Aviation Ireland One Limited	Ireland 15 February 2019	USD100	**100%**	100%	Aircraft Leasing
Dynam Aviation Ireland Two Limited	Ireland 29 April 2019	USD100	**100%**	100%	Aircraft Leasing
Dynam Aviation Ireland Three Limited	Ireland 1 August 2019	USD100	**100%**	100%	Aircraft Leasing

46. MATERIAL NON-CASH TRANSACTIONS

The Group did not have any material non-cash transactions except for acquisition of right-of-use asset disclosed in the Note 24 for the year ended 31 March 2022 (2021: Nil).

47. CONTINGENT LIABILITIES

At 31 March 2022, the Group did not have any significant contingent liabilities (2021: Nil).

48. CAPITAL COMMITMENTS

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

	2022 **¥ million**	2021 ¥ million
Contracted but not provided for	**23,746**	–
Approved but not contracted for	**483**	3
	24,229	3

The main reason for the increase was due to the new contracts to purchase aircrafts.

49. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as the most of its business transactions, assets and liabilities are denominated in Japanese yen ("¥" or "JPY"), which is the functional and presentation currency of the Group, some of them are denominated in Hong Kong dollars ("HK$") and United States dollars ("USD").

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

At 31 March 2022, if the JPY had weakened or strengthened 10% against the HK$ with all other variables held constant, consolidated profit after tax for the year would have been ¥16 million (2021: ¥13 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in HK$.

At 31 March 2022, if the JPY had weakened or strengthened 10% against the USD with all other variables held constant, consolidated profit after tax for the year would have been ¥555 million (2021: ¥489 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances and borrowings denominated in USD.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

(ii) Price risk

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

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

Impact on other comprehensive income	**2022** **¥ million**	2021 ¥ million
Hang Seng Index		
5%	**45**	102
(5%)	**(45)**	(102)
Tokyo Price Index		
5%	**16**	17
(5%)	**(16)**	(17)

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

This change in fair value has no impact in profit or loss because the equity securities held as at 31 March 2022 and 2021 are categorized into financial assets measured at FVTOCI whose subsequent changes in fair value are presented in other comprehensive income.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

(iii) Interest rate risk

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

At 31 March 2022, it is estimated that a general increase/(decrease) of 25 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

Increase/(decrease) in interest rate	**2022** **¥ million**	2021 ¥ million
25 basis points	**(40)**	(18)
(25) basis points	**40**	18

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

(b) ***Credit risk***

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

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

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

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

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

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

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

49. FINANCIAL RISK MANAGEMENT *(Continued)*

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

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

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

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

The average lease term of lease receivables is 15 years (2021: 13 years).

As at 31 March 2022 and 2021, trade receivables totaled ¥332 million and ¥361 million, respectively, and lease receivables totaled ¥8,460 million and ¥7,282 million, respectively.

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

	2022 **¥ million**	2021 ¥ million
1 to 30 days	**327**	343
31 days to 60 days	**–**	10
Over 60 days	**5**	8
	332	361

There is no significant past due balance nor loss allowance provision recognised for trade receivables as at 31 March 2022 (2021: Nil).

49. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

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

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

		Maturity Analysis — undiscounted cash outflows				
	Note	**Less than 1 year ¥ million**	**Between 1 and 2 years ¥ million**	**Between 2 and 5 years ¥ million**	**Over 5 years ¥ million**	**Total ¥ million**
At 31 March 2022						
Trade and other payables	34	**12,312**	**–**	**–**	**–**	**12,312**
Other current liabilities	37	**1,284**	**–**	**–**	**–**	**1,284**
Borrowings	35	**13,411**	**8,134**	**12,442**	**10,975**	**44,962**
Lease liabilities	24(f)	**12,934**	**10,983**	**23,423**	**54,566**	**101,906**
Other non-current liabilities	40	**–**	**122**	**220**	**828**	**1,170**
		39,941	**19,239**	**36,085**	**66,369**	**161,634**

		Maturity Analysis — undiscounted cash outflows				
	Note	Less than 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
At 31 March 2021						
Trade and other payables	34	19,997	–	–	–	19,997
Other current liabilities	37	1,964	–	–	–	1,964
Borrowings	35	11,773	7,532	14,703	1,395	35,403
Lease liabilities	24(f)	13,743	11,955	25,547	53,122	104,367
Other non-current liabilities	40	–	141	333	676	1,150
		47,477	19,628	40,583	55,193	162,881

50. CAPITAL RISK MANAGEMENT

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

The overall strategy remained unchanged during the current fiscal year.

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

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

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. However, the Group have applied a wavier under Rule 8.08(1)(d) of the Listing Rules in which the Stock Exchange accepted a lower public float percentage of approximately 20.9% of the Group total issued share capital. Based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Stock Exchange during the period from 1 April 2021 to 31 March 2022.

The Group will consider cash and cash equivalents, total liability and equity. The amount of liability, cash and cash equivalents and equity at 31 March 2022 and 2021 are as follows:

	2022 **¥ million**	2021 ¥ million
Total liability	**162,439**	169,101
Less: cash and cash equivalents	**(56,508)**	(74,661)
Total liability, net	**105,931**	94,440
Total liability and total equity	**293,421**	301,073

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of these items are shown in the table below. Note that items with the carrying amounts which are reasonable approximation of fair values are not presented in the table.

	Notes	**At 31 March 2022 ¥ million**		At 31 March 2021 ¥ million	
		Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets					
Financial assets measured at FVTOCI	27	**2,255**	**2,255**	3,405	3,405
Financial assets measured at amortised cost					
Rental deposits	29	**5,996**	**6,128**	6,030	6,338
Lease receivables	28	**8,460**	**8,460**	7,282	7,282
Total		**16,711**	**16,843**	16,717	17,025
Financial liabilities					
Financial liabilities measured at amortised cost					
Borrowings	35	**43,141**	**43,141**	33,967	33,967
Total		**43,141**	**43,141**	33,967	33,967

Dividends recognised in the consolidated statement of profit or loss for the financial instruments:

Financial assets	Notes	**2022 ¥ million**	2021 ¥ million
Dividends from equity investments held at FVTOCI	17		
Related to investments held at the end of the reporting period		**27**	26
Total		**27**	26

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

(a) Fair Value measurement

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

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

(ii) Rental deposits

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

(iii) Lease receivables

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

(iv) Financial liabilities

Financial liabilities which include borrowings are subsequently measured, by each liabilities classified by period, at present value discounted by the interest rate which takes into account duration and credit risk.

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

(b) Fair Value estimation

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

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

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

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

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

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

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

These instruments are included in level 1. Instruments included in level 1 comprise listed equity securities.

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

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

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

(c) Recognised fair value measurements

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

At 31 March 2022

Description	**Fair value measurements using:** Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	**897**	**–**	**–**	**897**
Listed securities in Japan	**481**	**–**	**–**	**481**
Others	**–**	**–**	**877**	**877**
Total	**1,378**	**–**	**877**	**2,255**

At 31 March 2021

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

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

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

(d) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

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

Changes in level 3 for the year ended 31 March 2022 and 2021:

	2022 **¥ million**	2021 ¥ million
Balance at beginning of the period	**867**	876
Profit/(Loss) in other comprehensive income	**10**	4
Purchases	**2**	–
Sales/Redemptions	**(2)**	(13)
	877	867

(f) Valuation inputs and relationship to fair value

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

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Fair value at** **31 March 2022** **¥ million**	 31 March 2021 ¥ million
Unlisted equity securities and others	The adjusted net asset method	The investees net asset book value	**877**	867

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

(g) Valuation process

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

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

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

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

Following items included in financial assets and liabilities are not measured at fair value as at the reporting period.

At 31 March 2022

Description	Fair value measurements using:			
	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Financial assets				
Financial assets measured at amortised cost				
Lease receivables	–	8,460	–	8,460
Rental deposits	–	6,128	–	6,128
Total	–	14,588	–	14,588
Financial liabilities				
Financial liabilities measured at amortised cost				
Borrowings	–	43,141	–	43,141
Total	–	43,141	–	43,141

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

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

At 31 March 2021

Description	Fair value measurements using: Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Financial assets				
Financial assets measured at amortised cost				
Lease receivables	–	7,282	–	7,282
Rental deposits	–	6,338	–	6,338
Total	–	13,620	–	13,620
Financial liabilities				
Financial liabilities measured at amortised cost				
Borrowings	–	33,967	–	33,967
Total	–	33,967	–	33,967

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

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

	2022 ¥ million	2021 ¥ million
Non-current assets		
Macau Legend Development Limited [*1]	**897**	2,047
Others	**1,358**	1,358
	2,255	3,405

[*1] Listed equity security.

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

(ii) Disposal of equity investments

During the year ended 31 March 2022 and 2021, the Group did not have significant disposal of equity investment.

52. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

53. BENEFITS AND INTEREST OF DIRECTORS

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

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

Name	Fees ¥ million	Salaries, allowances and benefits in kind ¥ million	Retirement benefit contributions scheme ¥ million	Discretionary bonus ¥ million	Total ¥ million
Year ended 31 March 2022					
Executive director					
Mr. Makoto Sakamoto					
(Chief executive officer) (i)	**28.5**	**–**	**–**	**1.0**	**29.5**
Non-executive director					
Mr. Yoji Sato	**23.6**	**–**	**–**	**–**	**23.6**
Mr. Kohei Sato (ii)	**12.0**	**–**	**–**	**–**	**12.0**
Mr. Akira Hosaka (i)	**29.7**	**–**	**–**	**1.4**	**31.1**
Independent non-executive director					
Mr. Mitsutoshi Kato	**8.4**	**–**	**–**	**–**	**8.4**
Mr. Thomas Chun Kee Yip	**6.0**	**–**	**–**	**–**	**6.0**
Mr. Kei Murayama	**6.0**	**–**	**–**	**–**	**6.0**
Mr. Kiyohito Kanda	**7.2**	**–**	**–**	**–**	**7.2**
Mr. Koji Kato (i)	**6.0**	**–**	**–**	**–**	**6.0**
Total	**127.4**	**–**	**–**	**2.4**	**129.8**

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

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

Name	Fees ¥ million	Salaries, allowances and benefits in kind ¥ million	Retirement benefit contributions scheme ¥ million	Discretionary bonus ¥ million	Total ¥ million
Year ended 31 March 2021					
Executive director					
Mr. Makoto Sakamoto					
(Chief executive officer) (i)	22.1	–	–	–	22.1
Non-executive director					
Mr. Yoji Sato	22.0	–	–	–	22.0
Mr. Kohei Sato (ii)	14.5	–	–	–	14.5
Mr. Akira Hosaka (i)	20.1	–	–	–	20.1
Mr. Tatsuji Fujimoto (i)	16.2	–	–	–	16.2
Mr. Noriaki Ushijima (i)	1.4	–	–	–	1.4
Independent non-executive director					
Mr. Ichiro Takano (i)	1.7	–	–	–	1.7
Mr. Mitsutoshi Kato	8.3	–	–	–	8.3
Mr. Thomas Chun Kee Yip	6.0	–	–	–	6.0
Mr. Kei Murayama	5.9	–	–	–	5.9
Mr. Kiyohito Kanda	6.8	–	–	–	6.8
Mr. Koji Kato (i)	4.5	–	–	–	4.5
Total	129.5	–	–	–	129.5

Notes:

(i) On 24 June 2020, Mr. Tatsuji FUJIMOTO retired as non-executive Director, chairman of the Board; Mr. Noriaki Ushijima retired as non-executive Director; Mr. Ichiro TAKANO retired as independent non-executive Director; Mr. Makoto SAKAMOTO was appointed as executive Director; chairman of the Board; Mr. Akira HOSAKA was appointed as non-executive Director; and Mr. Koji KATO was appointed as independent non-executive Director.

(ii) Mr. Kohei SATO resigned as chairman of the board and chief executive officer on 26 April 2020 and was re-designated to a non-executive director on 27 April 2020. Mr. Tatsuji FUJIMOTO was appointed as chairman of the board and Mr. Makoto SAKAMOTO was appointed as chief executive officer on 27 April 2020.

(iii) Save as disclosed above, there was no arrangement under which a director or chief executive officer waived or agreed to waive any emoluments during the year ended 31 March 2022 (2021: Nil).

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

(b) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 March 2022 (2021: Nil).

(c) Information about loans, quasi-loans and other dealings in favour of the director controlled bodies corporate by and connected entities with such director

No loans, quasi-loans and other dealings were made available in favour of the director, controlled bodies corporate by and connected entities with such director subsisted at the end of the year or at any time during the year 31 March 2022 (2021: Nil).

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 31 March 2022 (2021: Nil).

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 25 May 2022.

Definitions

In this report (other than the Independent Auditor's Report and Consolidated Financial Statements), unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Aircraft Leasing Business" 航空機リース事業	the business of (a) acquisition of aircraft; (b) leasing of aircraft (including operating leases and finance leases (which include financing arrangements in sale and leaseback transactions)); and (c) disposal of aircraft
"Amusement Business Act" 風適法	the Act on Control and Improvement of Amusement Business etc. of Japan (Act No. 122 of 1948, as amended)
"Articles of Incorporation" 當社定款	articles of incorporation of the Company as amended and supplemented from time to time
"Beijing GEO" 北京GEO	Beijing GEO Coffee Co., Ltd., a company incorporated in the PRC with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
"Board" 當社取締役會	the board of Directors of the Company
"Business Partners" ビジネスパートナーズ	Business Partners Co., Ltd., a stock company incorporated in Japan with limited liability. Business Partners is a wholly-owned subsidiary of the Company
"Cabin Plaza" キャビンプラザ	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
"Code" CGコード	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act" 會社法	the Companies Act of Japan (Act No. 86 of 2005, as amended)
"Company" 當社	DYNAM JAPAN HOLDINGS Co., Ltd., a stock company incorporated in Japan with limited liability
"Director(s)" 當社取締役	the director(s) of the Company
"Dynam" ダイナム	DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company
"Dynam Aviation" ダイナムアビエーション	Dynam Aviation Ireland Limited., a company incorporated in the Republic of Ireland with limited liability. Dynam Aviation is a wholly-owned subsidiary of the Company

"Dynam Business Support" ダイナムビジネスサポート	Dynam Business Support Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam Business Support is a wholly-owned subsidiary of the Company
"Dynam Hong Kong" ダイナム香港	Dynam Hong Kong Co., Ltd., a stock company incorporated in Hong Kong with limited liability. Dynam Hong Kong is a wholly-owned subsidiary of the Company
"Erin International" エリンインターナショナル	Erin International Co., Ltd., a company incorporated in Mongolia with limited liability. Erin International is held as to 87.61% by the Company through Dynam Hong Kong
"Eurasia Foundation (from Asia)" 一般財團法人ユーラシア財團from Asia	Eurasia Foundation (from Asia), a general incorporated foundation established in Japan
"Genghis Khan" チンギスハーン旅行	Genghis Khan Travel Co., Ltd., a stock company incorporated in Japan with limited liability. Genghis Khan is held as to 100% by the Company through Dynam Business Support
"Group" 當社グループ又はDYJHグループ	the Company and its subsidiaries at the relevant time
"Hong Kong Stock Exchange" 香港證券取引所	The Stock Exchange of Hong Kong Limited
"Kanto Daido" 関東大同販売	Kanto Daido Selling Co., Ltd., a stock company incorporated in Japan with limited liability. Kanto Daido is held as to 100% by the Company through Dynam Business Support
"Listing Rules" 上場規則	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Main Board" メインボード	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent of and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Model Code" モデルコード	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Yoji SATO" 佐藤洋治氏	one of the Directors of the Company and also the director and majority shareholder of SAC
'Nihon Humap" 日本ヒュウマップ	Nihon Humap Co., Ltd., a stock company incorporated in Japan with limited liability. Nihon Humap is a wholly-owned subsidiary of the Company

"P Insurance" ピーインシュアランス	P Insurance Co., Ltd., a stock company incorporated in Japan with limited liability. P Insurance is held as to 100% by the Company through Dynam Business Support
"PRC" 中國	The People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Reporting Period" 報告對象期間	the period from 1 April 2021 to 31 March 2022
"Rich-O" リッチオ	Rich-O Co., Ltd., a stock company incorporated in Japan with limited liability
"Rich-O Korea" リッチオコリア	Rich-O Korea Co., Ltd., a company incorporated in South Korea with limited liability. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
"SAC" SAC	Sato Aviation Capital Limited, a company incorporated in Hong Kong with limited liability, being held as to 100% by Mr. Yoji SATO
"SAC Aircraft Leasing Member(s)" SAC航空機リースメンバー	SAC and/or SAIL as the context requires
"SAIL" SAIL	Sato Aviation Ireland Limited, a company incorporated in the Republic of Ireland with limited liability, being held as to 100% by Mr. Yoji SATO through SAC
"SFO" 證券先物條例	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)" 當社株式	ordinary share(s) in the issued share capital of the Company
"Shareholder(s)" 當社株主	holder(s) of the issued Share(s)
"Yume Corporation" 夢コーポレーション	Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company

DYNAM JAPAN HOLDINGS Co., Ltd.*