

# DYJH

## Interim 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.

# Interim Report 2022

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



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# Corporate **Philosophy**

## A CENTURIAL COMMITMENT TO BUILDING TRUST AND ENCOURAGING DREAMS

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

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

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

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

### FIVE MANAGEMENT POLICIES

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1

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

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

2

#### **Information Disclosure**

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

3

#### **Chain Store Management**

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

4

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

The Group trains human resources and uses their collective energy.

5

#### **Social Contribution**

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

### THREE PRINCIPLES OF ACTIONS

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1

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

2

The Group takes decisive actions and values team work.

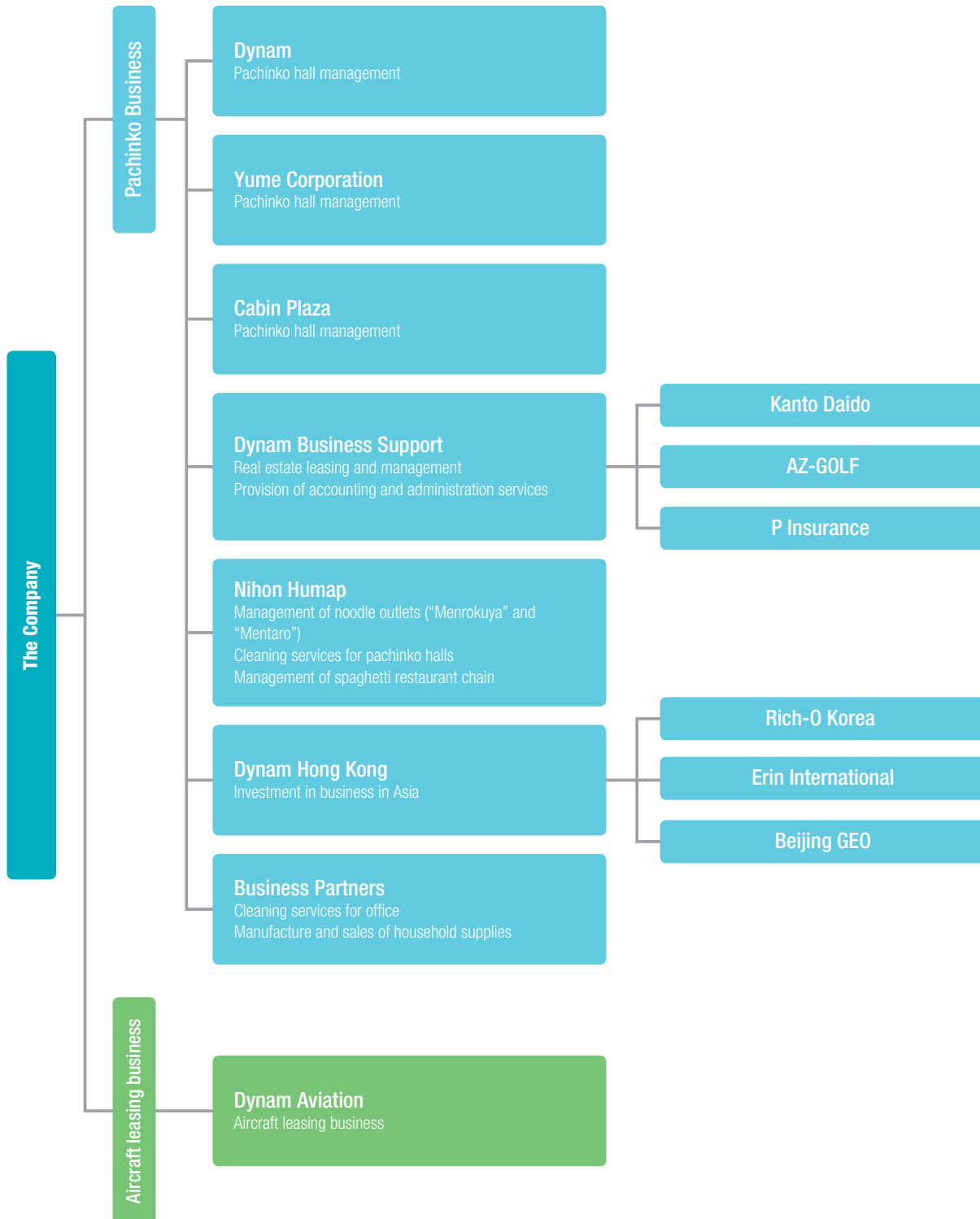
3

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

# Corporate Information

## OUR GROUP ORGANISATION

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



# Corporate Information

## MEMBERS OF THE BOARD AND COMMITTEES

As of 30 September 2022

### MEMBERS OF THE BOARD

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

### COMMITTEES

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

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

# Corporate Information

## PACHINKO BUSINESS

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

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

The Group operates the industry's largest pachinko hall network with 433 halls as at the end of September 2022.

### ***Pachinko Game Play Summary***

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

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

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

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

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

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

#### **Prizes**

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

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



Prize display area



## AIRCRAFT LEASING BUSINESS

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

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



# Financial Highlights

	Six months ended 30 September			
	2022 (unaudited)		2021 (unaudited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Gross pay-ins	245,981	13,339	255,403	17,761
Less: gross payouts	(190,831)	(10,348)	(205,264)	(14,274)
Revenue from pachinko business	55,150	2,991	50,139	3,487
Revenue from aircraft leasing business	1,045	57	758	53
Revenue	56,195	3,048	50,897	3,540
Pachinko business expenses	(52,246)	(2,833)	(44,791)	(3,115)
Aircraft leasing expenses	(669)	(37)	(464)	(32)
General and administrative expenses	(2,048)	(111)	(2,004)	(139)
Other income	4,950	268	5,025	349
Other operating expenses	(2,301)	(125)	(1,949)	(136)
Operating profit	3,881	210	6,714	467
Finance income	173	9	156	11
Finance expenses	(1,736)	(93)	(1,284)	(89)
Profit before income taxes	2,318	126	5,586	389
Income taxes	(1,135)	(62)	(2,170)	(151)
Net profit for the period	1,183	64	3,416	238
Attributable to:				
Owners of the Company	1,187	64	3,420	238
Non-controlling interests	(4)	(0)	(4)	(0)
	1,183	64	3,416	238
Earnings per share				
Basic	¥1.6	HK\$0.1	¥4.6	HK\$0.3
Diluted	¥1.6	HK\$0.1	¥4.6	HK\$0.3
EBITDA <sup>(*)</sup>	7,896	428	11,187	778

\* 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

	30 September 2022 (unaudited)		31 March 2022 (audited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Non-current assets	235,388	12,765	225,934	14,446
Current assets	66,028	3,581	67,487	4,315
Current liabilities	49,555	2,688	47,324	3,026
Net current assets	16,473	893	20,163	1,289
Total assets less current liabilities	251,861	13,658	246,097	15,735
Non-current liabilities	118,912	6,449	115,115	7,360
Total equity	132,949	7,209	130,982	8,375

## CURRENCY TRANSLATIONS

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

1. ¥18.44 to HK\$1.00, the exchange rate prevailing on 30 September 2022 (i.e. the last business day in September 2022).
2. ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021).
3. ¥15.64 to HK\$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).

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

# Business Overview

## PACHINKO BUSINESS

### ► Business Environment

During the six months ended 30 September 2022, amid the repeated spread and calming down of coronavirus infections, social and economic activities were being normalised thanks to a step ease of restrictions on activities while the outlook remains uncertain due to the prevalence of new covid-19 variants and mounting concern about inflation as a result of soaring commodity prices and rapid depreciation of Japanese yen.

In the pachinko industry, operating revenues were generally in a trend for an increase year over year since several pachinko machine models gained popularity and the introduction of new machines in response to the revision of regulations on slot machines progressed in order.

When it comes to the pachinko business for the Group, while an increase in operating revenue was secured, profit decreased as a result of a significant increase in expenses due to further burden of depreciation of pachinko and pachislot machines and an unprecedented rise in electricity bills although we worked on cost saving by improving man-hour productivity at halls, utilising in-house cleaning operations, curbing advertising expenses and so forth.

We will continue to make efforts for sales activities with all possible preventive measures for infection, and proceed with steady preparations for the introduction of Smart Slots in November 2022 and Smart Pachinko in the spring of 2023 to restore profitability in the future.

### ► Initiatives to Realise Everyday Entertainment

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

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

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

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

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

A feature of the Group's chain store management is multiple-hall development and low cost operations centered on low playing cost games. Devising low cost measures and the expertise needed from store openings to store management are crucial in promoting low playing cost games. By reaping the benefits of the economies of scale through multiple-hall development when purchasing game machines

and general prizes, the Group has positioned itself in a strong, advantageous position to develop the pachinko hall operation business. Moving forward, we will continue to leverage our status as the pachinko industry's leading company in terms of the number of pachinko halls and steadily accumulated profits over the long term by implementing chain store management.

## Multiple-hall development

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

### ► Opening new standardised halls

The Group is controlling its initial opening costs by standardising hall types and concentrating on opening halls in smaller populated regional areas. At the same time, the Group is reaping the benefits of

the economies of scale of multiple-hall development to limit purchasing cost of gaming machines and general prizes.

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

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

#### ■ Standardising hall specifications

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

#### ■ Wood-frame halls on land leased for 10 to 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.

## Low-cost operations

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

### ► Using second-hand gaming machines and establishing distribution centers

The Group not only installs the newest and most popular hit models of gaming machines, but also an array of second-hand ones procured at low cost in its halls. The Group has established 16 distribution centers throughout Japan, each of which covers the logistical needs and facilitates the sharing of gaming machines among 20 to 30 halls,

thereby saving machine expenses. The gaming machines installed in the halls are centrally managed according to coverage area by these distribution centers. The centers help the Group to flexibly manage the lineup of gaming machines in the halls.

### ► Use of ICT systems

The Group has installed an individual ball counter system to manage the number of pachinko balls and pachislot tokens that come out of each gaming machine in the halls. This serves to improve staff's productivity and reduce personnel expenses as well as saving time

and effort for customers. Apart from that, ICT systems are applied strategically to streamline and reduce the cost of corporate functions including hall management, formulation of marketing strategies, personnel administration and accounting.

# Business Overview

## AIRCRAFT LEASING BUSINESS

The Company aspires to achieve steady growth and sustainable development through the Aircraft Leasing Business.

### **BUSINESS ENVIRONMENT**

During the reporting period, in the airline industry, due to the relaxation of entry restrictions, passenger demand has shown signs of picking up, especially in Europe and the United States. 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**

During the reporting period, the Company acquired one aircraft for operating lease via sale and leaseback transaction. As of 30 September 2022, the Company had four owned aircrafts, the aggregate net book value of the aircrafts was ¥28,249 million, the weighted average age was 2.5 years, and the weighted average remaining lease term was 4.5 years. As of 30 September 2022, the Company had committed to acquire two new aircrafts which amount is ¥17,088 million.

The composition of the owned aircrafts and committed aircrafts as of 30 September 2022:

<b>Aircraft type</b>	<b>Owned aircraft</b>	<b>Committed aircraft</b>	<b>Total</b>
Airbus A320-200	1	–	1
Airbus A320neo	1	–	1
Airbus A321neo	2	2	4
<b>Total</b>	<b>4</b>	<b>2</b>	<b>6</b>

During the reporting period, there was no sold and disposal of aircraft.

There was no deferral of lease payments and the average lease rental yield of the operating lease was 8.3%. There was no revenue from the finance lease.

\* The Company acquired two committed aircrafts (Airbus A321neo) for operating lease via sale and leaseback transaction and newly entered into the aircraft sale agreement and lease agreement for two new aircrafts (Airbus A321neo) after the end of the reporting period. Please refer to Note 21 to the interim condensed consolidated financial information on page 58 of this Interim Report.

# Financial Review

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

	Six months ended 30 September				
	2022		2021		changes <sup>(3)</sup>
	(unaudited)		(unaudited)		
	(in millions, except for percentages)				
¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>		
<b>Gross pay-ins</b>					
— High playing cost halls	133,696	7,250	143,701	9,993	(7.0)%
— Low playing cost halls	112,285	6,089	111,702	7,768	0.5%
<b>Total gross pay-ins</b>	<b>245,981</b>	<b>13,339</b>	<b>255,403</b>	<b>17,761</b>	<b>(3.7)%</b>
<b>Gross payouts</b>					
— High playing cost halls	106,637	5,782	119,019	8,277	(10.4)%
— Low playing cost halls	84,194	4,566	86,245	5,997	(2.4)%
<b>Total gross payouts</b>	<b>190,831</b>	<b>10,348</b>	<b>205,264</b>	<b>14,274</b>	<b>(7.0)%</b>
<b>Revenue from pachinko business</b>					
— High playing cost halls	27,059	1,468	24,682	1,716	9.6%
— Low playing cost halls	28,091	1,523	25,457	1,771	10.3%
<b>Total revenue from pachinko business</b>	<b>55,150</b>	<b>2,991</b>	<b>50,139</b>	<b>3,487</b>	<b>10.0%</b>
<b>Revenue from aircraft leasing business</b>	<b>1,045</b>	<b>57</b>	<b>758</b>	<b>53</b>	<b>37.9%</b>
<b>Total revenue</b>	<b>56,195</b>	<b>3,048</b>	<b>50,897</b>	<b>3,540</b>	<b>10.4%</b>

<sup>(1)</sup> Translated into Hong Kong dollars at the rate of ¥18.44 to HK\$1.00, the exchange rate prevailing on 30 September 2022 (i.e. the last business day in September 2022).

<sup>(2)</sup> Translated into Hong Kong dollars at the rate of ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021).

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

# Financial Review

## FINANCIAL REVIEW

The consolidated financial results of the Group for the six months ended 30 September 2022 were as follows;

Consolidated revenue of the pachinko business and the aircraft leasing business was ¥56,195 million (equivalent to approximately HK\$3,048 million), 110.4% of the same period of the previous year. Consolidated operating profit was ¥3,881 million (equivalent to approximately HK\$210 million), 57.8% of the same period of the previous year. Consolidated net profit for the period was ¥1,183 million (equivalent to approximately HK\$64 million), 34.6% of the same period of the previous year. Consolidated revenue for the six months ended 30 September 2022 increased from the same period of the previous year while consolidated net profit for the six months ended 30 September 2022 decreased from the same period of the previous year.

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

## PACHINKO BUSINESS

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

### GROSS PAY-INS

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

Our gross pay-ins was ¥255,403 million (equivalent to approximately HK\$17,761 million) and ¥245,981 million (equivalent to approximately HK\$13,339 million) for the six months ended 30 September 2021 and 2022 respectively.

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

Gross pay-ins for high playing cost halls decreased by ¥10,005 million (equivalent to approximately HK\$543 million\*), or 7.0%\*, from ¥143,701 million (equivalent to approximately HK\$9,993 million) for the six months ended 30 September 2021 to ¥133,696 million (equivalent to approximately HK\$7,250 million) for the six months ended 30 September 2022.

Gross pay-ins for low playing cost halls increased by ¥583 million (equivalent to approximately HK\$32 million\*), or 0.5%\*, from ¥111,702 million (equivalent to approximately HK\$7,768 million) for the six months ended 30 September 2021 to ¥112,285 million (equivalent to approximately HK\$6,089 million) for the six months ended 30 September 2022.



## GROSS PAYOUTS

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

Our gross payouts was ¥205,264 million (equivalent to approximately HK\$14,274 million) and ¥190,831 million (equivalent to approximately HK\$10,348 million) for the six months ended 30 September 2021 and 2022 respectively.

The decrease was primarily due to a decrease in gross pay-ins during this interim period.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥12,382 million (equivalent to approximately HK\$671 million\*), or 10.4%\*, from ¥119,019 million (equivalent to approximately HK\$8,277 million) for the six months ended 30 September 2021 to ¥106,637 million (equivalent to approximately HK\$5,782 million) for the six months ended 30 September 2022.

Gross payouts for low playing cost halls decreased by ¥2,051 million (equivalent to approximately HK\$111 million\*), or 2.4%\*, from ¥86,245 million (equivalent to approximately HK\$5,997 million) for the six months ended 30 September 2021 to ¥84,194 million (equivalent to approximately HK\$4,566 million) for the six months ended 30 September 2022.

## REVENUE FROM PACHINKO BUSINESS AND REVENUE MARGIN

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

Our revenue from pachinko business increased by ¥5,011 million (equivalent to approximately HK\$272 million\*), or 10.0%\*, from ¥50,139 million (equivalent to approximately HK\$3,487 million) for the six months ended 30 September 2021 to ¥55,150 million (equivalent to approximately HK\$2,991 million) for the six months ended 30 September 2022.

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

Revenue from pachinko business for high playing cost halls increased by ¥2,377 million (equivalent to approximately HK\$129 million\*), or 9.6%\*, from ¥24,682 million (equivalent to approximately HK\$1,716 million) for the six months ended 30 September 2021 to ¥27,059 million (equivalent to approximately HK\$1,468 million) for the six months ended 30 September 2022. The revenue margin for the six months ended 30 September 2022 increased by 3.0 point\* to 20.2% as compared with the same period of the previous year.

Revenue from pachinko business for low playing cost halls increased by ¥2,634 million (equivalent to approximately HK\$143 million\*), or 10.3%\*, from ¥25,457 million (equivalent to approximately HK\$1,771 million) for the six months ended 30 September 2021 to ¥28,091 million (equivalent to approximately HK\$1,523 million) for the six months ended 30 September 2022. The revenue margin for the six months ended 30 September 2022 increased by 2.2 point\* to 25.0% as compared with the same period of the previous year.

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

# Financial Review

## PACHINKO BUSINESS EXPENSES

Pachinko business expenses increased by ¥7,455 million (equivalent to approximately HK\$404 million\*), or 16.6%\*, from ¥44,791 million (equivalent to approximately HK\$3,115 million) for the six months ended 30 September 2021 to ¥52,246 million (equivalent to approximately HK\$2,833 million) for the six months ended 30 September 2022.

The increase was primarily due to an increase in depreciation expenses of pachinko and pachislot machines.

Our pachinko business expenses by hall type are as follows.

Pachinko business expenses for high playing cost halls increased by ¥3,212 million (equivalent to approximately HK\$174 million\*), or 15.9%\*, from ¥20,251 million (equivalent to approximately HK\$1,408 million) for the six months ended 30 September 2021 to ¥23,463 million (equivalent to approximately HK\$1,272 million) for the six months ended 30 September 2022.

Pachinko business expenses for low playing cost halls increased by ¥4,243 million (equivalent to approximately HK\$230 million\*), or 17.3%\*, from ¥24,540 million (equivalent to approximately HK\$1,707 million) for the six months ended 30 September 2021 to ¥28,783 million (equivalent to approximately HK\$1,561 million) for the six months ended 30 September 2022.

## AIRCRAFT LEASING BUSINESS

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

### REVENUE FROM AIRCRAFT LEASING BUSINESS

Revenue from aircraft leasing business increased by ¥287 million (equivalent to approximately HK\$16 million\*), or 37.9%\*, from ¥758 million (equivalent to approximately HK\$53 million) for the six months ended 30 September 2021 to ¥1,045 million (equivalent to approximately HK\$57 million) for the six months ended 30 September 2022.

The increase was primarily due to new aircraft acquired and leased during this interim period.

### AIRCRAFT LEASING EXPENSES

Aircraft leasing expenses increased by ¥205 million (equivalent to approximately HK\$11 million\*), or 44.2%\*, from ¥464 million (equivalent to approximately HK\$32 million) for the six months ended 30 September 2021 to ¥669 million (equivalent to approximately HK\$37 million) for the six months ended 30 September 2022.

The increase was primarily due to expenses arising from new aircraft acquired and leased during this interim period.

## GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by ¥44 million (equivalent to approximately HK\$2 million\*), or 2.2%\*, from ¥2,004 million (equivalent to approximately HK\$139 million) for the six months ended 30 September 2021 to ¥2,048 million (equivalent to approximately HK\$111 million) for the six months ended 30 September 2022.

## OTHER INCOME

Other income decreased by ¥75 million (equivalent to approximately HK\$4 million\*), or 1.5%\*, from ¥5,025 million (equivalent to approximately HK\$349 million) for the six months ended 30 September 2021 to ¥4,950 million (equivalent to approximately HK\$268 million) for the six months ended 30 September 2022.

## OTHER OPERATING EXPENSES

Other operating expenses increased by ¥352 million (equivalent to approximately HK\$19 million\*), or 18.1%\*, from ¥1,949 million (equivalent to approximately HK\$136 million) for the six months ended 30 September 2021 to ¥2,301 million (equivalent to approximately HK\$125 million) for the six months ended 30 September 2022.

The increase was primarily due to an increase in disposal cost of non-financial assets mainly arising from pachinko and pachislot machines.

## FINANCE INCOME

Finance income increased by ¥17 million (equivalent to approximately HK\$1 million\*), from ¥156 million (equivalent to approximately HK\$11 million) for the six months ended 30 September 2021 to ¥173 million (equivalent to approximately HK\$9 million) for the six months ended 30 September 2022.

## FINANCE EXPENSES

Finance expenses increased by ¥452 million (equivalent to approximately HK\$25 million\*), from ¥1,284 million (equivalent to approximately HK\$89 million) for the six months ended 30 September 2021 to ¥1,736 million (equivalent to approximately HK\$93 million) for the six months ended 30 September 2022.

The increase was primarily due to an increase in foreign exchange loss.

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

# Financial Review

## CASH FLOW

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

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

	Six months ended 30 September			
	2022		2021	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>
Net cash generated from operating activities	26,755	1,450	10,519	732
Net cash used in investing activities	(23,379)	(1,266)	(23,115)	(1,607)
Net cash used in financing activities	(4,382)	(238)	(10,865)	(755)
Effects of exchange rate changes on cash and cash equivalents	1,425	77	49	2
Net increase/(decrease) in cash and cash equivalents	419	23	(23,412)	(1,628)
Cash and cash equivalents at the beginning of period	56,508	3,064	74,661	5,192
Cash and cash equivalents at the end of period	56,927	3,087	51,249	3,564

### *Net cash generated from operating activities*

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

	Six months ended 30 September			
	2022		2021	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>
Operating profit before working capital changes	26,024	1,412	20,419	1,420
Change in working capital	2,353	126	(5,577)	(388)
Cash generated from operations	28,377	1,538	14,842	1,032
Income taxes paid	(421)	(23)	(3,152)	(219)
Finance expenses paid	(1,201)	(65)	(1,171)	(81)
Net cash generated from operating activities	26,755	1,450	10,519	732

<sup>(1)</sup> Translated into Hong Kong dollars at the rate of ¥18.44 to HK\$1.00, the exchange rate prevailing on 30 September 2022 (i.e. the last business day in September 2022).

<sup>(2)</sup> Translated into Hong Kong dollars at the rate of ¥14.38 to HK\$1.00, the exchange rate prevailing on 30 September 2021 (i.e. the last business day in September 2021).

Our net cash generated from operating activities was ¥26,755 million (equivalent to approximately HK\$1,450 million) for the six months ended 30 September 2022.

A movement in our net cash generated from operating activities was primarily due to adjustments for depreciation.

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

Our 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 and construction in progress. Net cash used in investing activities was ¥23,379 million (equivalent to approximately HK\$1,266 million) for the six months ended 30 September 2022. The cash outflow for the six months ended 30 September 2022 was primarily due to the purchase of property, plant, and equipment.

***Net cash used in financing activities***

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

Net cash used in financing activities was ¥4,382 million (equivalent to approximately HK\$238 million) for the six months ended 30 September 2022.

The increase in net cash used in financing activities for the six months ended 30 September 2022 was primarily due to cash outflow by repayment of bank loans in the amount of ¥7,231 million (equivalent to approximately HK\$392 million), repayment of leases payables in the amount of ¥5,109 million (equivalent to approximately HK\$277 million), purchase of treasury shares in the amount of ¥641 million (equivalent to approximately HK\$35 million) and dividend payment in the amount of ¥1,878 million (equivalent to approximately HK\$102 million), while cash inflow by raising of bank loans and other loans in the amount of ¥7,785 million (equivalent to approximately HK\$422 million) and ¥2,692 million (equivalent to approximately HK\$146 million) respectively.

# Financial Review

## LIQUIDITY

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

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

	30 September 2022 (unaudited)		31 March 2022 (audited)	
	(in millions)			
	¥	HK\$ <sup>(1)</sup>	¥	HK\$ <sup>(2)</sup>
<b>Current assets</b>				
Inventories	1,574	85	1,064	68
Trade receivables	371	20	332	21
Lease receivables	1,925	104	1,977	126
Prizes in operation of pachinko halls	2,857	155	2,921	187
Income taxes receivables	436	24	671	43
Other current assets	1,938	106	4,014	257
Cash and cash equivalents	56,927	3,087	56,508	3,613
	<b>66,028</b>	<b>3,581</b>	<b>67,487</b>	<b>4,315</b>
<b>Current liabilities</b>				
Trade and other payables	12,125	658	12,312	787
Borrowings	15,146	821	12,945	828
Lease payables	10,939	593	11,245	719
Provisions	1,436	78	1,386	89
Income taxes payables	734	40	844	54
Other current liabilities	9,175	498	8,592	549
	<b>49,555</b>	<b>2,688</b>	<b>47,324</b>	<b>3,026</b>
<b>Net current assets</b>	<b>16,473</b>	<b>893</b>	<b>20,163</b>	<b>1,289</b>

<sup>(1)</sup> Translated into Hong Kong dollars at the rate of ¥18.44 to HK\$1.00, the exchange rate prevailing on 30 September 2022 (i.e. the last business day in September 2022).

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

As at 31 March 2022 and 30 September 2022, our net current assets totaled ¥20,163 million (equivalent to approximately HK\$1,289 million) and ¥16,473 million (equivalent to approximately HK\$893 million), respectively, and our current ratio was 1.4 and 1.3, respectively.

## CAPITAL EXPENDITURE

### ***Pachinko business***

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

During the six months ended 30 September 2022, The Group newly acquired pachinko and pachislot machines of ¥14,339 million (equivalent to approximately HK\$778 million) (2021: ¥25,332 million, equivalent to approximately HK\$1,762 million).

### ***Aircraft leasing business***

During the six months ended 30 September 2022, the Group newly acquired aircraft of ¥7,964 million (equivalent to approximately HK\$432 million).

As a result, during the six months ended 30 September 2022, the Group acquired property, plant and equipment of ¥24,439 million (equivalent to approximately HK\$1,325 million) (2021: ¥28,109 million, equivalent to approximately HK\$1,955 million).

## CONTINGENT LIABILITIES

As at 30 September 2022, we had no material contingent liabilities.

## CAPITAL COMMITMENTS

The information on capital commitments is provided in Note 14 to the interim condensed consolidated financial information on page 50 of this Interim Report.

## ACQUISITION AND DISPOSAL

For the six months ended 30 September 2022, there was no material acquisition and disposal of any of our subsidiaries.

## SIGNIFICANT INVESTMENTS

### ***Pachinko Business***

Save for the capital expenditure of pachinko business, set out in **CAPITAL EXPENDITURE** in the paragraph above, we did not have any significant investments during the six months ended 30 September 2022.

### ***Aircraft Leasing Business***

Save for the capital expenditure of aircraft leasing business, set out in **CAPITAL EXPENDITURE** in the paragraph above, we did not have any significant investments during the six months ended 30 September 2022.

## EMPLOYEES

As at 30 September 2022, we had approximately 12,895 employees (31 March 2022: 13,420). We will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution and housing fund schemes.

# Financial Review

## CAPITAL STRUCTURE

### ***Principal sources of funds***

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

### ***Indebtedness***

Our short-term and long-term borrowings outstanding as at 30 September 2022 were ¥15,146 million (equivalent to approximately HK\$821 million) and ¥33,703 million (equivalent to approximately HK\$1,828 million), respectively.

These borrowings of the Group include short-term borrowings of ¥1,949 million (equivalent to approximately HK\$106 million) and long-term borrowings of ¥14,585 million (equivalent to approximately HK\$791 million) related to the aircraft leasing business.

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

### ***Loan facilities***

As at 30 September 2022, the Group had a total amount of approximately ¥36,000 million (equivalent to approximately HK\$1,952 million) of banking facilities and an installment facility available to us, of which approximately ¥32,452 million (equivalent to approximately HK\$1,760 million) was unutilised.

The overview of our loan facilities is as follows.

The Group 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. The Group has signed the new commitment line contract responsive to earthquake disaster to resolve the above concern, which has enabled the Group to secure the fund promptly even in the case of earthquake disaster.

This commitment line provides a revolving loan facility in the amount of up to ¥15,000 million (equivalent to approximately HK\$813 million). The commitment of the lenders to provide loans under the revolving loan facility is available from 30 December 2014, the execution date of the original loan agreement, to 31 March 2025.

On 31 August 2020, the Group entered into a contract with a Bank in the amount of ¥3,000 million (equivalent to approximately HK\$163 million). On 31 August 2022, the amount available was increased up to ¥5,000 million (equivalent to approximately HK\$271 million) by the renewal of the contract, which is available to 31 August 2023.

On 30 September 2020, the Group 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\$813 million) for the purpose of procurement of pachinko and pachislot machines. On 30 September 2022, due to the renewal of the contract, it is available to 30 September 2023.



## FINANCIAL RISK MANAGEMENT

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

### **Market risk**

#### Foreign currency risk

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

The Group currently has a foreign currency hedging policy in respect of some of foreign currency transactions, assets and liabilities. The Group continues to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure.

#### Price risk

Equity instruments consisting mainly of listed equity securities the Group holds 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 securities 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 changing with the prevailing market condition.

### **Credit risk**

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

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

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

### **Liquidity risk**

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

# Other Information

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

As at the end of the period from 1 April 2022 to 30 September 2022 (the "Reporting Period"), the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")), which should be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or was required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, are as follows:

### (i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares <sup>(1)</sup>	Approximate Percentage of Interests in the Company <sup>(2)</sup>
Mr. Yoji SATO	Interest of controlled corporations <sup>(3)</sup>	273,632,560	
	Interest of spouse <sup>(3)</sup>	760	
	Other <sup>(4)</sup>	171,171,800	
		444,805,120	61.996%
Mr. Kohei SATO	Beneficial owner	53,639,680	
	Interest of spouse <sup>(5)</sup>	1,500,000	
	Other <sup>(4)</sup>	389,665,440	
		444,805,120	61.996%
Mr. Makoto SAKAMOTO	Beneficial owner	22,000	0.003%
Mr. Akira HOSAKA	Beneficial owner	78,121	0.011%

Notes:

- (1) All interests stated are long positions.
- (2) There were 717,477,696 Shares in issue as at the end of the Reporting Period.
- (3) Out of the total 273,632,560 Shares, SAC, which is wholly-owned and controlled by Mr. Yoji SATO, is beneficially interested in 177,822,560 Shares. Rich-O is beneficially interested in remaining 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by Eurasia Foundation (from Asia) Limited which is also wholly-owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.
- (4) Each of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), and Mr. Kohei SATO (brother of Mr. Yoji SATO) (collectively, the "Sato Family Members") is a party acting in concert with Mr. Yoji SATO, SAC and Rich-O and each other to obtain or consolidate the holding of 30% or more of the Company, and is therefore deemed to be interested in the Shares in which Mr. Yoji SATO or any other Sato Family Member is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which any Sato Family Member is interested.
- (5) Mrs. Shizuka SATO, Mr. Kohei SATO's wife, is beneficially interested in 1,500,000 Shares, and such interests are deemed to be Mr. Kohei SATO's interests under the SFO.

**(ii) *Interests in the associated corporation***

None of 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 Stock Exchange pursuant to the Model Code.

# Other Information

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

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

Name	Nature of Interest/Capacity	Number of Shares <sup>(1)</sup>	Approximate Percentage of Interests in the Company <sup>(2)</sup>
SAC	Beneficial owner <sup>(3)</sup>	177,822,560	
	Interest of controlled corporation <sup>(3)</sup>	95,810,000	
		273,632,560	38.138%
Rich-O	Beneficial owner <sup>(3)</sup>	95,810,000	13.354%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	11.150%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse <sup>(4)</sup>	273,632,560	
	Other <sup>(7)</sup>	171,171,800	
		444,805,120	61.996%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation <sup>(5)</sup>	14,580,104	
	Other <sup>(7)</sup>	410,645,440	
		444,805,120	61.996%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other <sup>(7)</sup>	403,829,440	
		444,805,120	61.996%
Mrs. Yaeko NISHIWAKI	Beneficial owner	20,379,576	
	Interest of controlled corporation <sup>(6)</sup>	20,517,184	
	Other <sup>(7)</sup>	403,908,360	
		444,805,120	61.996%
Mrs. Shizuka SATO	Beneficial owner	1,500,000	
	Interest of spouse <sup>(6)</sup>	53,639,680	
		55,139,680	7.685%

Notes:

- (1) All interests stated are long positions.
- (2) There were 717,477,696 Shares in issue as at the end of the Reporting Period.
- (3) See Note (3) on page 25 of this interim report.
- (4) Mr. Yoji SATO is Mrs. Keiko SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.
- (5) LAPULE, Ltd., which is wholly-owned and controlled by Mr. Masahiro SATO, is beneficially interested in 14,580,104 Shares and such interests are deemed to be Mr. Masahiro SATO's interests under the SFO.
- (6) N. Company Co., Ltd., which is wholly-owned and controlled by Mrs. Yaeko NISHIWAKI, is beneficially interested in 20,517,184 Shares and such interests are deemed to be Mrs. Yaeko NISHIWAKI's interests under the SFO.
- (7) See Note (4) on page 25 of this interim report.
- (8) Mr. Kohei SATO is Mrs. Shizuka SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

### ***Code Provision C.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, Mr. Makoto SAKAMOTO has been in both roles.

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

# Other Information

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

The Company has adopted the Model Code and the “Rules on Prevention of Insider Dealings” as a code of conduct regarding Directors’ transactions of the listed securities of the Company. The “Rules on Prevention of Insider Dealings”, in addition to the Model Code, has been formulated and adopted by the Company on 1 April 2014 for Directors and employees of the Company who are likely to have access to unpublished inside information of the Group (last amended on 1 June 2022). The Company has made specific enquiry to all of the Directors, and all of the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the “Rules on Prevention of Insider Dealings” throughout the Reporting Period.

## AUDIT COMMITTEE’S REVIEW OF FINANCIAL STATEMENTS

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

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

## INTERIM DIVIDENDS

The Board declared an interim dividend of ¥2.5 per ordinary Share in respect of the Reporting Period, payable on 13 January 2023 to the Shareholders whose names appear on the Company’s share register as at the close of business on 13 December 2022. Based on the assumption that 716,601,696 Shares shall be in issue as at 13 December 2022, it is expected that the interim dividend payable will amount to approximately ¥1,792 million (equivalent to approximately HK\$97 million).

In the case when the dividends are distributed to the Shareholders in Hong Kong dollars, the exchange rate for the conversion of Japanese yen to Hong Kong dollar are based on the average currency rates prevailing five business days immediately before 24 November 2022.

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

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

Month/Year	Number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$
May 2022	1,000	6.72	6.72	6,720
June 2022	1,404,000	6.98	6.71	9,712,432
July 2022	2,428,000	7.19	7.00	17,328,470
August 2022	766,800	7.00	6.05	5,038,186
September 2022	718,000	6.25	5.78	4,401,798
	5,317,800	7.19	5.78	36,487,606

All of the above-described Shares repurchased were subsequently cancelled. The number of issued shares of the Company as of 30 September 2022 was 717,477,696.

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

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

24 November 2022

# Report on Review of the Interim Condensed Consolidated Financial Information



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

*(Incorporated in Japan with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 31 to 58, which comprises the interim condensed consolidated statement of financial position of Dynam Japan Holdings Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers Aarata LLC**

*Certified Public Accountants*

Japan, 24 November 2022

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# Interim Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	Six months ended 30 September	
		2022 ¥ million (unaudited)	2021 ¥ million (unaudited)
<b>Revenue</b>	4	<b>56,195</b>	50,897
Revenue from pachinko business		<b>55,150</b>	50,139
Revenue from aircraft leasing business		<b>1,045</b>	758
Pachinko business expenses	6	<b>(52,246)</b>	(44,791)
Aircraft leasing expenses	7	<b>(669)</b>	(464)
General and administrative expenses		<b>(2,048)</b>	(2,004)
Other income	8	<b>4,950</b>	5,025
Other operating expenses	9	<b>(2,301)</b>	(1,949)
<b>Operating profit</b>		<b>3,881</b>	6,714
Finance income	10	<b>173</b>	156
Finance expenses	11	<b>(1,736)</b>	(1,284)
<b>Profit before income taxes</b>		<b>2,318</b>	5,586
Income taxes	12	<b>(1,135)</b>	(2,170)
<b>Net profit for the period</b>		<b>1,183</b>	3,416
<b>Attributable to:</b>			
Owners of the Company		<b>1,187</b>	3,420
Non-controlling interests		<b>(4)</b>	(4)
		<b>1,183</b>	3,416
<b>Earnings per share</b>			
Basic (¥)	19	<b>1.6</b>	4.6
Diluted (¥)	19	<b>1.6</b>	4.6

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	Six months ended 30 September	
		2022 ¥ million (unaudited)	2021 ¥ million (unaudited)
<b>Net profit for the period</b>		<b>1,183</b>	3,416
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of financial assets measured at fair value through other comprehensive income		<b>(1,299)</b>	(504)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		<b>0</b>	1
		<b>(1,299)</b>	(503)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>4,602</b>	184
		<b>4,602</b>	184
<b>Other comprehensive income for the period, net of tax</b>		<b>3,303</b>	(319)
<b>Total comprehensive income for the period</b>		<b>4,486</b>	3,097
<b>Attributable to:</b>			
Owners of the Company		<b>4,490</b>	3,101
Non-controlling interests		<b>(4)</b>	(4)
		<b>4,486</b>	3,097

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

AT 30 SEPTEMBER 2022

	Note	At 30 September 2022 ¥ million (unaudited)	At 31 March 2022 ¥ million (audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	129,380	118,648
Right-of-use assets		73,729	73,850
Investment properties		3,605	3,263
Intangible assets		3,410	3,440
Financial assets measured at fair value through other comprehensive income	20	1,529	2,255
Lease receivables		6,423	6,483
Deferred tax assets		10,411	10,964
Other non-current assets		6,901	7,031
		<b>235,388</b>	225,934
<b>Current assets</b>			
Inventories		1,574	1,064
Trade receivables	15	371	332
Lease receivables		1,925	1,977
Prizes in operation of pachinko halls		2,857	2,921
Income taxes receivables		436	671
Other current assets		1,938	4,014
Cash and cash equivalents		56,927	56,508
		<b>66,028</b>	67,487
<b>TOTAL ASSETS</b>		<b>301,416</b>	293,421
<b>Current liabilities</b>			
Trade and other payables	16	12,125	12,312
Borrowings		15,146	12,945
Lease liabilities		10,939	11,245
Provisions		1,436	1,386
Income taxes payables		734	844
Other current liabilities		9,175	8,592
		<b>49,555</b>	47,324

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

AT 30 SEPTEMBER 2022

	Note	At 30 September 2022 ¥ million (unaudited)	At 31 March 2022 ¥ million (audited)
<b>Net current assets</b>		<b>16,473</b>	20,163
Total assets less current liabilities		<b>251,861</b>	246,097
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>176</b>	116
Borrowings		<b>33,703</b>	30,196
Lease liabilities		<b>78,214</b>	78,017
Other non-current liabilities		<b>1,182</b>	1,170
Provisions		<b>5,637</b>	5,616
		<b>118,912</b>	115,115
<b>NET ASSETS</b>		<b>132,949</b>	130,982
<b>Capital and reserves</b>			
Share capital		<b>15,000</b>	15,000
Capital reserve		<b>7,436</b>	8,152
Treasury shares	17	<b>(25)</b>	(35)
Retained earnings		<b>108,149</b>	108,840
Other components of equity		<b>2,383</b>	(920)
<b>Equity attributable to owners of the Company</b>		<b>132,943</b>	131,037
<b>Non-controlling interests</b>		<b>6</b>	(55)
<b>TOTAL EQUITY</b>		<b>132,949</b>	130,982

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Treasury shares	Retained earnings	Other components of equity			Total	Total	Non-controlling interests	Total equity
					Fair value of financial assets at FVTOCI	Foreign currency translation reserve	Other reserves				
					¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)				
At 1 April 2021	15,000	11,304	-	107,104	(2,907)	1,499	5	(1,403)	132,005	(33)	131,972
Profit for the period	-	-	-	3,420	-	-	-	-	3,420	(4)	3,416
Other comprehensive income for the period	-	-	-	-	(503)	184	-	(319)	(319)	0	(319)
Total comprehensive income for the period	-	-	-	3,420	(503)	184	-	(319)	3,101	(4)	3,097
Purchase of treasury shares (Note17(i))	-	-	(2,241)	-	-	-	-	-	(2,241)	-	(2,241)
Cancellation of treasury shares (Note17(ii))	-	(2,241)	2,241	-	-	-	-	-	-	-	-
2021 final dividend paid (Note18)	-	-	-	(1,505)	-	-	-	-	(1,505)	-	(1,505)
Total changes in equity for the period	-	(2,241)	-	1,915	(503)	184	-	(319)	(645)	(4)	(649)
At 30 September 2021	15,000	9,063	-	109,019	(3,410)	1,683	5	(1,722)	131,360	(37)	131,323
At 1 April 2022	15,000	8,152	(35)	108,840	(4,554)	3,629	5	(920)	131,037	(55)	130,982
Profit for the period	-	-	-	1,187	-	-	-	-	1,187	(4)	1,183
Other comprehensive income for the period	-	-	-	-	(1,299)	4,602	-	3,303	3,303	0	3,303
Total comprehensive income for the period	-	-	-	1,187	(1,299)	4,602	-	3,303	4,490	(4)	4,486
Changes in interests in consolidated subsidiaries' capital	-	(65)	-	-	-	-	-	-	(65)	65	-
Purchase of treasury shares (Note17(i))	-	-	(641)	-	-	-	-	-	(641)	-	(641)
Cancellation of treasury shares (Note17(ii))	-	(651)	651	-	-	-	-	-	-	-	-
2022 final dividend paid (Note18)	-	-	-	(1,878)	-	-	-	-	(1,878)	-	(1,878)
Total changes in equity for the period	-	(716)	10	(691)	(1,299)	4,602	-	3,303	1,906	61	1,967
At 30 September 2022	15,000	7,436	(25)	108,149	(5,853)	8,231	5	2,383	132,943	6	132,949

# Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	Six months ended 30 September	
		2022	2021
		¥ million	¥ million
		(unaudited)	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		2,318	5,586
Adjustments for:			
Finance expenses		1,736	1,284
Finance income		(173)	(156)
Depreciation of property, plant and equipment		16,308	8,251
Depreciation of right-of-use assets		4,531	4,693
Amortisation of intangible assets		157	177
Impairment loss on property, plant and equipment		350	521
Impairment loss on right-of-use assets		627	756
Gain on sales of property, plant and equipment		(6)	(348)
Others		176	(345)
Operating profit before working capital changes:		26,024	20,419
Decrease in prizes in operation of pachinko halls		64	209
(Increase)/decrease in inventories		(454)	36
(Increase)/decrease in trade receivables		(18)	26
Decrease in other non-current assets		167	81
Decrease/(increase) in other current assets		2,069	(675)
Decrease in finance lease receivables		264	296
Decrease in trade and other payables		(261)	(5,874)
Increase in other current liabilities		523	518
(Decrease)/increase in other non-current liabilities		(52)	7
Increase/(decrease) in current provisions		51	(209)
Others		–	8
Cash generated from operations		28,377	14,842
Income taxes paid		(421)	(3,152)
Finance expenses paid		(1,201)	(1,171)
<b>Net cash generated from operating activities</b>		<b>26,755</b>	<b>10,519</b>

# Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	Six months ended 30 September	
		2022	2021
		¥ million	¥ million
		(unaudited)	(unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(24,358)	(23,672)
Proceeds from sales of property, plant and equipment		904	497
Purchase of intangible assets		(64)	(27)
Payments for asset retirement obligations		(41)	(66)
Proceeds from sales of financial assets measured at fair value through other comprehensive income		2	0
Collection of loans receivables		40	–
Payment of rental deposits		(149)	(80)
Proceeds from refund of rental deposits		142	105
Finance income received		145	128
<b>Net cash used in investing activities</b>		<b>(23,379)</b>	<b>(23,115)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Bank loans raised		7,785	5,004
Other loans raised		2,692	–
Repayment of bank loans		(7,231)	(6,770)
Repayment of leases liabilities		(5,109)	(5,353)
Purchase of treasury shares	17	(641)	(2,241)
Dividends paid	18	(1,878)	(1,505)
<b>Net cash used in financing activities</b>		<b>(4,382)</b>	<b>(10,865)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>1,425</b>	<b>49</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>419</b>	<b>(23,412)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>56,508</b>	<b>74,661</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>56,927</b>	<b>51,249</b>

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 1. GENERAL INFORMATION

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

The interim condensed consolidated financial information of the Company as at 30 September 2022 consists of the Company and its subsidiaries (the “Group”). The Group has identified and disclosed two reportable segments, namely ‘Pachinko business’ and ‘Aircraft leasing business’. This interim condensed consolidated financial information is presented in millions of Japanese Yen(¥), unless otherwise stated.

The interim condensed consolidated financial information was approved and authorised for issuance by the Board of Directors on 24 November 2022.

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

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with IAS 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2022 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Significant accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2022 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2022 except for the following.



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

### ***Adoption of new and revised International Financial Reporting Standards***

The following new amendments to existing standards have been issued and effective for annual periods beginning on 1 April 2022 with no impact on the Group's results of operations and financial positions:

- IAS 37 (Amendment), 'Provisions, Contingent Liabilities and Contingent Assets'
- IFRSs (Amendment), 'Annual Improvements to IFRSs 2018-2020 Cycles'
- IAS 16 (Amendment), 'Property, Plant and Equipment'
- IFRS 3 (Amendment), 'Business Combinations'

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

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

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the Group from fiscal year ending	Summary of new standards and amendments
IAS 1 (Amendment)	Presentation of Financial Statements	1 January 2023	31 March 2024	Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
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

### 3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial information are the same as those of the consolidated financial information for the year ended 31 March 2022, with the exception that income taxes in the interim periods are calculated based upon the tax rate that would be applicable to estimated annual earnings.

No significant changes have been made to the estimation of the impact relating to spread of COVID-19 for the six-month period ended 30 September 2022.

### 4. REVENUE

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(unaudited)	(unaudited)
Gross pay-ins	245,981	255,403
Less: Gross payouts	(190,831)	(205,264)
Revenue from pachinko business	55,150	50,139
Revenue from aircraft leasing business	1,045	758
Revenue	56,195	50,897

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

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 5. SEGMENT INFORMATION

### (a) *Segment information*

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

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

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

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

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

## 5. SEGMENT INFORMATION *(Continued)*

### (a) *Segment information (Continued)*

The segment information provided to the executive directors for the six months ended 30 September 2022 and 2021 are as follows:

	Six months ended 30 September 2022				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment revenue from external customers</b>	<b>55,150</b>	<b>1,045</b>	<b>56,195</b>	<b>–</b>	<b>56,195</b>
<b>Other segment items</b>					
Depreciation and amortisation expenses	(20,316)	(509)	(20,825)	(102)	(20,927)
Impairment loss	(948)	–	(948)	(29)	(977)
Finance income	89	19	108	65	173
Finance expenses	(1,100)	(230)	(1,330)	(406)	(1,736)
<b>Segment profit</b>	<b>4,757</b>	<b>169</b>	<b>4,926</b>	<b>–</b>	<b>4,926</b>
Corporate expenses					(2,608)
Profit before income taxes					2,318
Income taxes					(1,135)
<b>Net profit for the period</b>					<b>1,183</b>
Addition to non-current assets other than financial instruments and deferred tax assets	22,181	7,964	30,145	506	30,651

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 5. SEGMENT INFORMATION *(Continued)*

### (a) Segment information *(Continued)*

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

## 5. SEGMENT INFORMATION *(Continued)*

### (a) *Segment information (Continued)*

The segment assets and segment liabilities as at 30 September 2022 and as at 31 March 2022 are as follows:

	At 30 September 2022				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment assets</b>	<b>231,923</b>	<b>38,565</b>	<b>270,488</b>	<b>30,928</b>	<b>301,416</b>
<b>Segment liabilities</b>	<b>90,378</b>	<b>34,323</b>	<b>124,701</b>	<b>43,766</b>	<b>168,467</b>

An increase in assets and liabilities for aircraft leasing business was primarily due to new aircraft acquired and leased during this interim period.

	At 31 March 2022				
	Pachinko business ¥ million (audited)	Aircraft leasing business ¥ million (audited)	Segment Total ¥ million (audited)	Unallocated ¥ million (audited)	Total ¥ million (audited)
<b>Segment assets</b>	<b>241,121</b>	<b>22,431</b>	<b>263,552</b>	<b>29,869</b>	<b>293,421</b>
<b>Segment liabilities</b>	<b>98,728</b>	<b>20,761</b>	<b>119,489</b>	<b>42,950</b>	<b>162,439</b>

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 5. SEGMENT INFORMATION *(Continued)*

### *(b) Geographical information*

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

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

	Six months ended 30 September 2022		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment revenue from external customers</b>	<b>55,150</b>	<b>1,045</b>	<b>56,195</b>

	At 30 September 2022		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
<b>Segment non-current assets other than financial instruments and deferred tax assets</b>	<b>181,916</b>	<b>28,751</b>	<b>210,667</b>

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

	At 31 March 2022		
	Japan ¥ million (audited)	Europe ¥ million (audited)	Total ¥ million (audited)
<b>Segment non-current assets other than financial instruments and deferred tax assets</b>	<b>182,315</b>	<b>17,488</b>	<b>199,803</b>



## 5. SEGMENT INFORMATION *(Continued)*

### (c) Information about major customers

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

## 6. PACHINKO BUSINESS EXPENSES

	Six months ended 30 September	
	2022 ¥ million (unaudited)	2021 ¥ million (unaudited)
Advertising expenses	1,382	1,493
Cleaning and ancillary services	1,123	1,315
Depreciation expenses	15,749	7,836
Hall staff costs	19,066	20,453
Pachinko and pachislot machine expenses	1,885	1,806
Depreciation expenses of right-of-use assets	4,484	4,661
Rental expenses	27	68
Repair and maintenance expenses	1,201	1,217
Utilities expenses	3,616	2,591
Others	3,713	3,351
	<b>52,246</b>	44,791

An increase in PACHINKO BUSINESS EXPENSES was primarily due to an increase in depreciation expenses of pachinko and pachislot machine.

## 7. AIRCRAFT LEASING EXPENSES

	Six months ended 30 September	
	2022 ¥ million (unaudited)	2021 ¥ million (unaudited)
Depreciation expenses	438	309
Amortisation expenses	71	58
Others	160	97
	<b>669</b>	464

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 8. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(unaudited)	(unaudited)
Commission from vending machines and in-store sales	1,443	1,600
Income from forfeiture of customer's membership cards	71	70
Income from catering services	300	280
Sales revenue from property held for sale	1	40
Revenue from finance leases	–	21
Net gains on sales of used machines	905	496
Rental income	336	322
Government grants	200	1,524
Compensation income for removal of halls	817	–
Others	877	672
	<b>4,950</b>	<b>5,025</b>

## 9. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(unaudited)	(unaudited)
Disposal cost of non-financial assets	1,008	175
Impairment loss of non-financial assets (Note13)	977	1,278
Cost of sales of property held for sale	1	27
Cost of sales of finance leases	–	15
Rental expenses	105	65
Others	210	389
	<b>2,301</b>	<b>1,949</b>

An increase in OTHER OPERATING EXPENSES was primarily due to an increase in disposal cost of non-financial assets mainly arising from pachinko and pachislot machines.

## 10. FINANCE INCOME

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(unaudited)	(unaudited)
Bank interest income	32	11
Finance leases interest income	99	94
Dividend income	15	15
Foreign exchange gain, net	–	3
Others	27	33
	<b>173</b>	156

## 11. FINANCE EXPENSES

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(unaudited)	(unaudited)
Interest expenses	368	277
Amortisation of syndicated bank loan charges	39	39
Foreign exchange loss, net	393	–
Interest on lease liabilities	902	929
Others	34	39
	<b>1,736</b>	1,284

## 12. INCOME TAXES

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

	Six months ended 30 September	
	2022	2021
	¥ million	¥ million
	(unaudited)	(unaudited)
Current taxes	537	567
Deferred taxes	598	1,603
	<b>1,135</b>	2,170

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired pachinko and pachislot machines of ¥14,339 million (2021: ¥25,332 million) and aircraft of ¥7,964 million (2021: nil).

As a result, during the six months ended 30 September 2022, the Group acquired property, plant and equipment of ¥24,439 million (2021: ¥28,109 million).

The Group estimates that revenue will be recovered up to the level before COVID-19 pandemic (fiscal year ended 31 March 2020) by the revenue growth rates ranging from 7.5% to 8.4%. The revenue growth rates after revenue is recovered up to the level before COVID-19 pandemic (fiscal year ended 31 March 2020) are estimated zero, with which future cash flows are calculated.

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

For the operation of pachinko hall, the Group considered an individual pachinko hall as a cash-generating unit ("CGU") based on business activities.

The recoverable amount of the CGU is determined from the higher of fair value less costs of disposal and value in use.

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

The remaining useful lives of the significant properties of CGU are the period for which value in use is calculated. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the circumstances specific to the CGU.

As a result of primarily reviewing recoverable amount of each CGU determined based on each pachinko hall, the Group recognised ¥977 million as impairment loss of non-financial assets during the six months ended 30 September 2022 (2021: ¥1,278 million).

The rate used to discount the cash flow projections from the CGU's operating result is 3.49% (2021: 3.67%).

## 14. CAPITAL COMMITMENTS

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

	At 30 September 2022 ¥ million (unaudited)	At 31 March 2022 ¥ million (audited)
Capital commitment purchase on property, plant and equipment	19,794	23,746
	19,794	23,746

## 15. TRADE RECEIVABLES

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

	<b>At 30 September 2022 ¥ million (unaudited)</b>	<b>At 31 March 2022 ¥ million (audited)</b>
1 to 30 days	<b>347</b>	327
31 to 60 days	<b>9</b>	–
Over 60 days	<b>15</b>	5
	<b>371</b>	332

## 16. TRADE AND OTHER PAYABLES

	<b>At 30 September 2022 ¥ million (unaudited)</b>	<b>At 31 March 2022 ¥ million (audited)</b>
Trade payables	<b>983</b>	977
Halls construction and system payables	<b>656</b>	651
Other tax expenses	<b>1,498</b>	1,738
Pachinko and pachislot machine payables	<b>2,429</b>	2,258
Accrued staff costs	<b>5,382</b>	5,365
Advertisement and promotions	<b>91</b>	104
Housing rent	<b>174</b>	195
Others	<b>912</b>	1,024
	<b>12,125</b>	12,312

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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

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

	At 30 September 2022 ¥ million (unaudited)	At 31 March 2022 ¥ million (audited)
1 to 30 days	983	973
31 to 60 days	–	–
Over 60 days	–	4
	<b>983</b>	<b>977</b>

## 17. TREASURY SHARES

Changes of the Company's treasury shares for the six months ended 30 September 2022 and 2021 are as follows:

	Note	Six months ended 30 September		2021	
		2022		Number of Ordinary share	¥ million (unaudited)
Balance at the beginning of the period		297,400	35	–	–
Increase in treasury shares	(i), (ii)	5,317,800	641	21,195,400	2,241
Decrease in treasury shares	(iii)	(5,385,200)	(651)	(21,195,400)	(2,241)
Balance at the end of the period		<b>230,000</b>	<b>25</b>	–	–

## 17. TREASURY SHARES *(Continued)*

Notes:

- (i) The increase of 5,317,800 treasury shares during the six months ended 30 September 2022 consists of 5,317,800 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 held the general meeting on 23 June 2022 where the general mandate to repurchase shares of the Company was granted within the range of 72,256,549 shares.

- (ii) The increase of 21,195,400 treasury shares during the six months ended 30 September 2021 consists of 21,195,400 shares acquired as treasury shares subject to Article 156 (replacement of the third paragraph of Article 165) of the Company Law of Japan (the Japan Company Law).

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

- (iii) The decrease of 5,385,200 and 21,195,400 treasury shares during the six months ended 30 September 2022 and 2021 is due to the cancellation of shares subject to Article 178 of the Japan Company Law.

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

## 18. DIVIDENDS

During the six months ended 30 September 2022 and 2021, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

	Six months ended 30 September			
	2022		2021	
<b>Dividends declared and paid/payable to its shareholders by:</b>	<b>Dividend per share</b>	<b>Total Dividends</b>	<b>Dividend per share</b>	<b>Total Dividends</b>
	<b>¥</b>	<b>¥ million</b>	<b>¥</b>	<b>¥ million</b>
		<b>(unaudited)</b>		<b>(unaudited)</b>
Final dividend paid	<b>2.60</b>	<b>1,878</b>	2.00	1,505
		<b>1,878</b>		1,505

On 24 November 2022, the Board of Directors declared an interim dividend of ¥2.50 per ordinary share of the Company, which is payable on 13 January 2023 to the shareholders of the Company.

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FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 19. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2022 ¥ million (unaudited)	2021 ¥ million (unaudited)
Earnings for the purpose of calculating basic earnings per share	1,187	3,420
Weighted average number of shares	720,516,906	745,872,588
Basic earnings per share (¥)	1.6	4.6

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2022 and 2021 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2022 and 2021.

## 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	At 30 September 2022		At 31 March 2022	
	¥ million (unaudited)		¥ million (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets measured at FVTOCI	1,529	1,529	2,255	2,255
Financial assets measured at amortised cost				
Rental deposits	5,908	6,040	5,996	6,128
Lease receivables	8,348	8,348	8,460	8,460
<b>Total</b>	<b>15,785</b>	<b>15,917</b>	<b>16,711</b>	<b>16,843</b>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
Borrowings	48,849	48,849	43,141	43,141
<b>Total</b>	<b>48,849</b>	<b>48,849</b>	<b>43,141</b>	<b>43,141</b>



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

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

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

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

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

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

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

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

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

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

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

# Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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

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

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

At 30 September 2022 Description	Fair value measurements using:			Total ¥ million (unaudited)
	Level 1 ¥ million (unaudited)	Level 2 ¥ million (unaudited)	Level 3 ¥ million (unaudited)	
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	581	–	–	581
Listed securities in Japan	480	–	–	480
Others	–	–	468	468
<b>Total</b>	<b>1,061</b>	<b>–</b>	<b>468</b>	<b>1,529</b>

At 31 March 2022 Description	Fair value measurements using:			Total ¥ million (audited)
	Level 1 ¥ million (audited)	Level 2 ¥ million (audited)	Level 3 ¥ million (audited)	
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	897	–	–	897
Listed securities in Japan	481	–	–	481
Others	–	–	877	877
<b>Total</b>	<b>1,378</b>	<b>–</b>	<b>877</b>	<b>2,255</b>

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

Changes in level 3 for the six months ended 30 September 2022 and 2021 were as follows:

	Six months ended 30 September	
	2022 ¥ million (unaudited)	2021 ¥ million (unaudited)
Balance at beginning of the period	877	867
Gain/(loss) in other comprehensive income	42	3
Purchases	1	–
Sales/redemptions	(1)	0
Others	(451)	–
Balance at end of the period	468	870

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

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

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

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

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FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

## 21. SIGNIFICANT SUBSEQUENT EVENT

### *(Execution of sale and leaseback agreement)*

On 6 and 7 October 2022, a subsidiary of Dynam Aviation has executed respectively the sale and leaseback agreement of the remaining two Airbus A321 neo out of three in total dated 26 October 2021 with Wizz Air Hungry Ltd. ("Wizz") funded by own cash and non-recourse loan from a bank.

Due to strict confidentiality provisions, the Group shall not disclose the terms and conditions of the transaction including the loan amount.

### *(Entering into new sale and leaseback agreement)*

On 21 October 2022, a subsidiary of Dynam Aviation newly entered into the sale and leaseback agreement of two Airbus A321 neo with Wizz. Two of the Aircrafts will be delivered to Wizz or an affiliate of Wizz in the second half of 2023.

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

# Definitions

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

“AZ-GOLF” AZ-GOLF	AZ-GOLF Co., Ltd., a company incorporated in Japan with limited liability. AZ-GOLF is held as to 100% by the Company through Dynam Business Support
“Beijing GEO” 北京 GEO	Beijing GEO Coffee Co., Ltd., a company incorporated in the People’s Republic of China with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
“Business Partners” ビジネスパートナーズ	Business Partners Co., Ltd., a stock company incorporated in Japan with limited liability. Business Partners is a wholly-owned subsidiary of the Company
“Cabin Plaza” キャビンプラザ	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
“Director(s)” 取締役	the director(s) of the Company
“Dynam” ダイナム	DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company
“Dynam Aviation” ダイナムアビエーション	Dynam Aviation Ireland Limited., a company incorporated in Ireland with limited liability. Dynam Aviation is a wholly-owned subsidiary of the Company
“Dynam Business Support” ダイナムビジネスサポート	Dynam Business Support Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam Business Support is a wholly-owned subsidiary of the Company
“Dynam Hong Kong” ダイナム香港	Dynam Hong Kong Co., Ltd., a stock company incorporated in Hong Kong with limited liability. Dynam Hong Kong is a wholly-owned subsidiary of the Company
“Erin International” エリンインターナショナル	Erin International Co., Ltd., a company incorporated in Mongolia with limited liability. Erin International is held as to 98.84% by the Company through Dynam Hong Kong
“Eurasia Foundation (from Asia)” 一般財団法人ユーラシア財団 from Asia	Eurasia Foundation (from Asia), a general incorporated foundation established in Japan
“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
“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
“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 with limited liability in South Korea. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
“SAC” SAC	Sato Aviation Capital Limited, a company incorporated in Hong Kong with limited liability, being held as to 100% by Mr. Yoji SATO
“Yume Corporation” 夢コーポレーション	Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company







DYNAM JAPAN HOLDINGS Co., Ltd.\*

