

DYJH

Interim Report 2023/2024

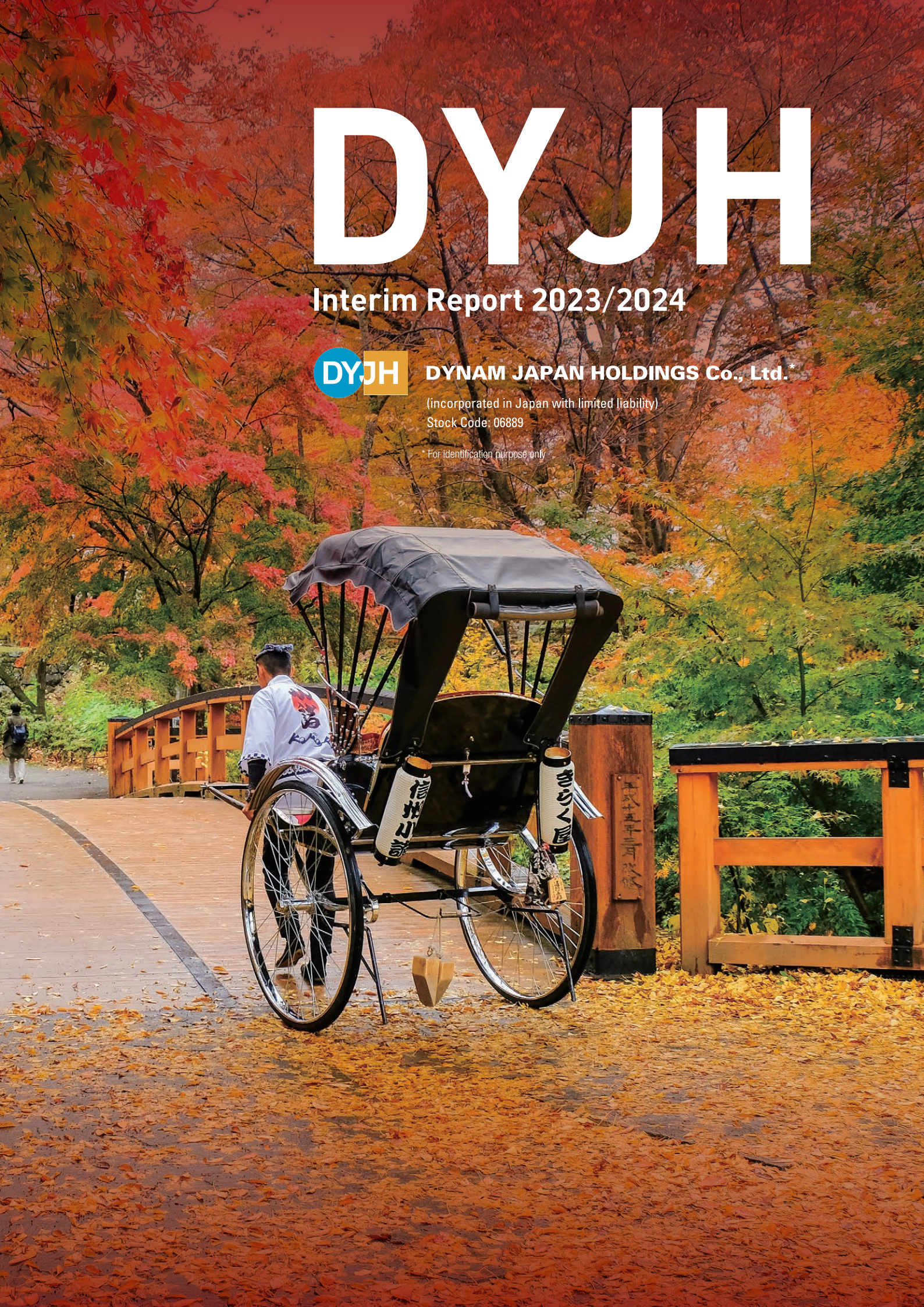


DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

Stock Code: 06889

* For identification purpose only.



DYNAM JAPAN HOLDINGS Co., Ltd.

Interim Report 2023/2024



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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

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

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.

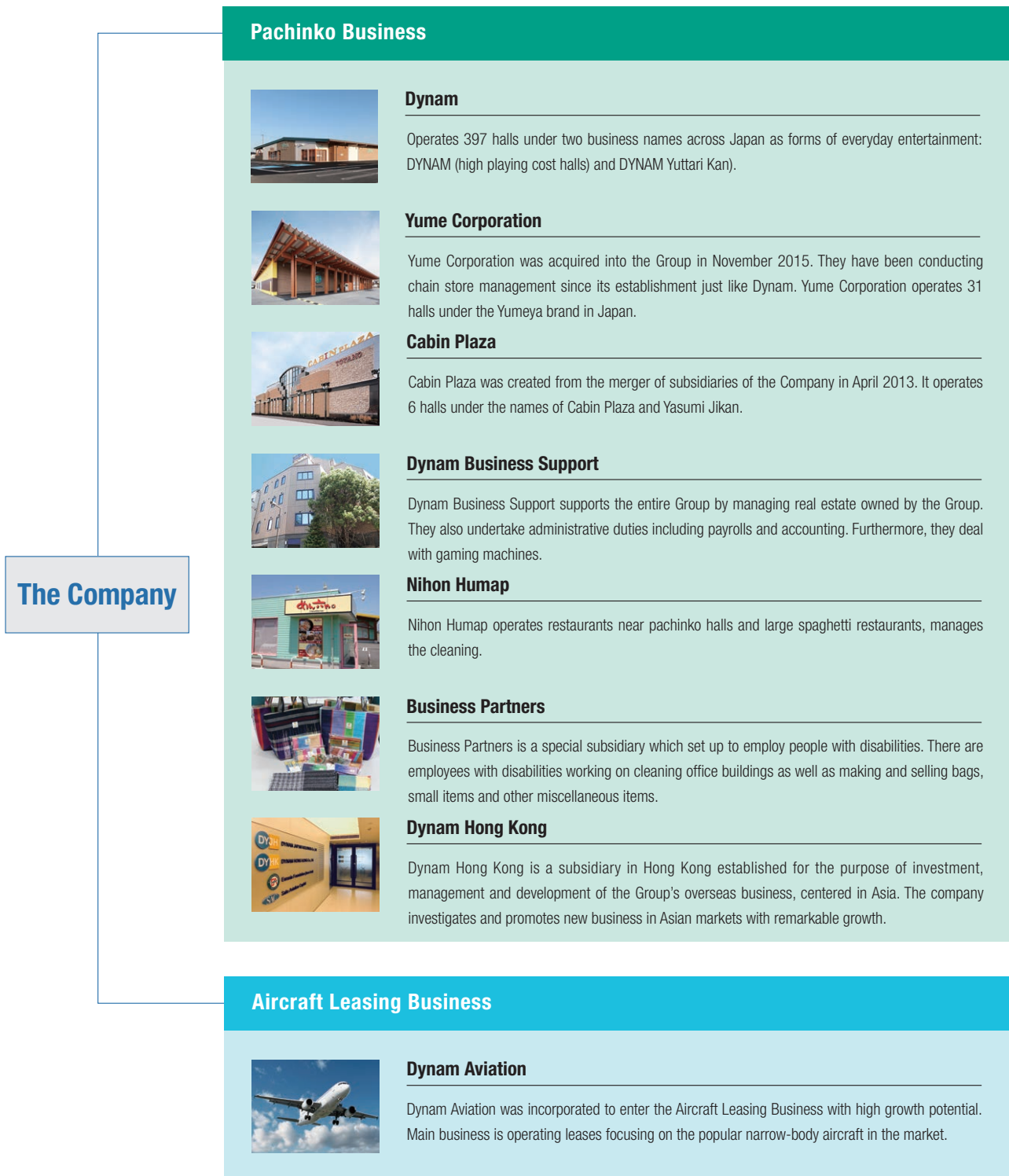
3

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.



Pachinko Business



Dynam

Operates 397 halls under two business names across Japan as forms of everyday entertainment: DYNAM (high playing cost halls) and DYNAM Yuttari Kan).



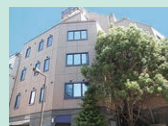
Yume Corporation

Yume Corporation was acquired into the Group in November 2015. They have been conducting chain store management since its establishment just like Dynam. Yume Corporation operates 31 halls under the Yumeya brand in Japan.



Cabin Plaza

Cabin Plaza was created from the merger of subsidiaries of the Company in April 2013. It operates 6 halls under the names of Cabin Plaza and Yasumi Jikan.



Dynam Business Support

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



Nihon Humap

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



Business Partners

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



Dynam Hong Kong

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

Aircraft Leasing Business



Dynam Aviation

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

The Company

Corporate Information

MEMBERS OF THE BOARD AND COMMITTEES

As of 30 September 2023

MEMBERS OF THE BOARD

Executive Director

Akira HOSAKA (*Chairman of the Board,
President and Chief Executive Officer*)

Non-executive Directors

Yoji SATO (*Senior Corporate Advisor of the Board*)
Kohei SATO (*Corporate Advisor of the Board*)
Makoto SAKAMOTO

Independent Non-executive Directors

Mitsutoshi KATO
Thomas Chun Kee YIP
Kiyohito KANDA
Koji KATO
Mayumi ITO

COMMITTEES

Audit Committee

Kiyohito KANDA (*Chairman*)
Thomas Chun Kee YIP
Koji KATO

Remuneration Committee

Mitsutoshi KATO (*Chairman*)
Akira HOSAKA
Mayumi ITO

Nomination Committee

Mitsutoshi KATO (*Chairman*)
Akira HOSAKA
Mayumi ITO

Headquarters and Registered Office	2-25-1-702 Nishi-Nippori Arakawa-ku Tokyo, 116-0013 Japan
Principal Place of Business in Hong Kong	Unit 1, 32/F, Hong Kong Plaza 188 Connaught Road West Hong Kong
Corporate Website	www.dyjh.co.jp
Investor Relations	E-mail: info@dyjh.co.jp
Share Registrar	Computershare Hong Kong Investor Services Limited
Stock Code	06889
Principal Legal Advisor as to Hong Kong Law	Deacons
Principal Legal Advisor as to Japanese Law	CITY-YUWA PARTNERS
Auditors	PricewaterhouseCoopers Aarata LLC <i>(Certified Public Accountants and Registered Public Interest Entity Auditor)</i>
Principal Bankers	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 434 halls as at the end of September 2023.

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 steady growth and sustainable development by operating leases of aircraft to airlines around the world. The Company maintains a high-quality portfolio of narrow-body aircraft with fuel-efficient next-generation engines that are popular in the market and contribute to the reduction of the aviation industry's environmental impact and sustainable growth.

Dynam Aviation



Katsuhiko ANDO, CEO

Dublin, Ireland, where Dynam Aviation is headquartered, is known as the center of the global aircraft leasing market. I believe that the aircraft leasing business will continue to generate stable earnings for the Company as the number of aircraft required to handle the growing number of passengers is expected to continue to increase over the long term. In the medium term, Dynam Aviation aims to become an aircraft leasing company that owns and manages approximately 30 aircraft, thereby contributing to the continuous development of the Company.

Financial Highlights

	Six months ended 30 September			
	2023 (unaudited)		2022 (unaudited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Gross pay-ins	278,822	14,598	245,981	13,339
Less: gross payouts	(216,635)	(11,342)	(190,831)	(10,348)
Revenue from pachinko business	62,187	3,256	55,150	2,991
Revenue from aircraft leasing business	2,188	115	1,045	57
Revenue	64,375	3,371	56,195	3,048
Pachinko business expenses	(59,208)	(3,099)	(52,246)	(2,833)
Aircraft leasing expenses	(1,322)	(69)	(669)	(37)
General and administrative expenses	(2,144)	(112)	(2,048)	(111)
Other income	3,963	207	4,950	268
Other operating expenses	(1,264)	(67)	(2,301)	(125)
Operating profit	4,400	231	3,881	210
Finance income	419	22	173	9
Finance expenses	(1,895)	(100)	(1,736)	(93)
Profit before income taxes	2,924	153	2,318	126
Income taxes	(1,050)	(55)	(1,135)	(62)
Net profit for the period	1,874	98	1,183	64
Attributable to:				
Owners of the Company	1,873	98	1,187	64
Non-controlling interests	1	0	(4)	(0)
	1,874	98	1,183	64
Earnings per share				
Basic	¥2.6	HK\$0.1	¥1.6	HK\$0.1
Diluted	¥2.6	HK\$0.1	¥1.6	HK\$0.1
EBITDA ^(*)	26,763	1,401	19,939	1,081

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

	30 September 2023 (unaudited)		31 March 2023 (audited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Non-current assets	300,170	15,716	256,442	15,076
Current assets	53,947	2,824	69,166	4,066
Current liabilities	58,394	3,057	53,840	3,165
Net current assets	(4,447)	(233)	15,326	901
Total assets less current liabilities	295,723	15,483	271,768	15,977
Non-current liabilities	163,288	8,549	143,341	8,427
Total equity	132,435	6,934	128,427	7,550

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. ¥19.10 to HK\$1.00, the exchange rate prevailing on 29 September 2023 (i.e. the last business day in September 2023).
2. ¥18.44 to HK\$1.00, the exchange rate prevailing on 30 September 2022 (i.e. the last business day in September 2022).
3. ¥17.01 to HK\$1.00, the exchange rate prevailing on 31 March 2023 (i.e. the last business day in March 2023).

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 2023, the economy in Japan was on a gradual recovery path with the effects of COVID-19 coming to an end, a recovery of the flow of people thanks to easing of domestic activity restrictions and entry restrictions and so on. On the other hand, the outlook remained unclear due to geopolitical risks related to the situation in Ukraine, etc., risks of a downswing of overseas economies against a background of the monetary tightening worldwide and so forth.

In the pachinko industry, although suspension and closure of halls continued, the recovery trend was becoming clearer as the utilisation of “smartslot” machines remained firm from their introduction in November 2022 on.

As for the pachinko business of the Group, the Group achieved significant revenue growth driven by an increase in the number of pachislot machines at many halls on a large scale from the beginning of this fiscal year taking into account the situation in the utilisation of pachislot machines after the introduction of “smartslot” machines. The Group also posted profit growth since the Group absorbed a rise in cost of electricity, depreciation expenses arising from pachinko and pachislot machines and the overhead expenses associated with refurbishments at halls.

Moreover, 5 halls anew joined the Group through business succession by way of absorption type company split. The Group will pursue improvements in profitability with an effort to expand the number of halls through several ways 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.

▶ Acquiring Other Pachinko Hall Operators into the Group

Making the most of its advantage as a listed company, the Group implements business succession schemes such as share exchange and company split to acquire pachinko halls from other operators and expands its network of halls. Examples up to 30 September 2023 are given below.

Date	Details
1 November 2015	Yume Corporation acquired into the Group through share exchange
20 January 2022	One pachinko hall acquired from another operator through absorption type company split
15 December 2022	One pachinko hall acquired from another operator through absorption type company split
31 July 2023	Five pachinko halls acquired from another operator through absorption type company split

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 installs not only 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

According to the International Air Transport Association (IATA), global air passenger demand in 2023 is expected to recover to 4.35 billion passengers (96% of the 2019 level of performance before the spread of the COVID-19), almost back to pre-COVID-19 crisis performance.

RECENT ACTIVITIES

During the reporting period, the Company acquired three aircraft for operating lease via sale and leaseback transaction. As of 30 September 2023, the Company has 9 owned aircraft, 4 managed aircraft, and committed to acquire 1 new aircraft.

The composition of the owned aircraft, managed aircraft, and committed aircraft as of 30 September 2023:

Aircraft type	Owned aircraft	Managed aircraft	Committed aircraft	Total
Airbus A320 series	9	4	1	14

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

All aircraft on lease are operating leases and there was no deferral of lease payments.



Operating assets

¥72,437 million



Average age of aircraft

1.7 years



Average remaining lease period

5.8 years



Narrow body aircraft ratio

100%



Next-generation aircraft ratio

89%



Yield

8.2%

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				
	2023		2022		changes ⁽³⁾
	(unaudited)		(unaudited)		
(in millions, except for percentages)					
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾	
Gross pay-ins					
— High playing cost halls	145,059	7,595	133,696	7,250	8.5%
— Low playing cost halls	133,763	7,003	112,285	6,089	19.1%
Total gross pay-ins	278,822	14,598	245,981	13,339	13.4%
Gross payouts					
— High playing cost halls	115,813	6,064	106,637	5,782	8.6%
— Low playing cost halls	100,822	5,278	84,194	4,566	19.7%
Total gross payouts	216,635	11,342	190,831	10,348	13.5%
Revenue from pachinko business					
— High playing cost halls	29,246	1,531	27,059	1,468	8.1%
— Low playing cost halls	32,941	1,725	28,091	1,523	17.3%
Total revenue from pachinko business	62,187	3,256	55,150	2,991	12.8%
Revenue from aircraft leasing business	2,188	115	1,045	57	109.4%
Total revenue	64,375	3,371	56,195	3,048	14.6%

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥19.10 to HK\$1.00, the exchange rate prevailing on 29 September 2023 (i.e. the last business day in September 2023).

⁽²⁾ 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).

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

Financial Review

FINANCIAL REVIEW

The consolidated financial results of the Group for the six months ended 30 September 2023 were as follows;

Consolidated revenue of the pachinko business and the aircraft leasing business was ¥64,375 million (equivalent to approximately HK\$3,371 million), 114.6% of the same period of the previous year. Consolidated operating profit was ¥4,400 million (equivalent to approximately HK\$231 million), 113.4% of the same period of the previous year. Consolidated net profit for the period was ¥1,874 million (equivalent to approximately HK\$98 million), 158.4% of the same period of the previous year. Consolidated revenue and net profit for the six months ended 30 September 2023 increased 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 ¥245,981 million (equivalent to approximately HK\$13,339 million) and ¥278,822 million (equivalent to approximately HK\$14,598 million) for the six months ended 30 September 2022 and 2023 respectively.

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

Gross pay-ins for high playing cost halls increased by ¥11,363 million (equivalent to approximately HK\$595 million*), or 8.5%*, from ¥133,696 million (equivalent to approximately HK\$7,250 million) for the six months ended 30 September 2022 to ¥145,059 million (equivalent to approximately HK\$7,595 million) for the six months ended 30 September 2023.

Gross pay-ins for low playing cost halls increased by ¥21,478 million (equivalent to approximately HK\$1,125 million*), or 19.1%*, from ¥112,285 million (equivalent to approximately HK\$6,089 million) for the six months ended 30 September 2022 to ¥133,763 million (equivalent to approximately HK\$7,003 million) for the six months ended 30 September 2023.

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 ¥190,831 million (equivalent to approximately HK\$10,348 million) and ¥216,635 million (equivalent to approximately HK\$11,342 million) for the six months ended 30 September 2022 and 2023 respectively.

The increase was primarily due to an increase in gross pay-ins during the six months ended 30 September 2023.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls increased by ¥9,176 million (equivalent to approximately HK\$480 million*), or 8.6%*, from ¥106,637 million (equivalent to approximately HK\$5,782 million) for the six months ended 30 September 2022 to ¥115,813 million (equivalent to approximately HK\$6,064 million) for the six months ended 30 September 2023.

Gross payouts for low playing cost halls increased by ¥16,628 million (equivalent to approximately HK\$871 million*), or 19.7%*, from ¥84,194 million (equivalent to approximately HK\$4,566 million) for the six months ended 30 September 2022 to ¥100,822 million (equivalent to approximately HK\$5,278 million) for the six months ended 30 September 2023.

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 ¥7,037 million (equivalent to approximately HK\$369 million*), or 12.8%*, from ¥55,150 million (equivalent to approximately HK\$2,991 million) for the six months ended 30 September 2022 to ¥62,187 million (equivalent to approximately HK\$3,256 million) for the six months ended 30 September 2023.

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

Revenue from pachinko business for high playing cost halls increased by ¥2,187 million (equivalent to approximately HK\$115 million*), or 8.1%*, from ¥27,059 million (equivalent to approximately HK\$1,468 million) for the six months ended 30 September 2022 to ¥29,246 million (equivalent to approximately HK\$1,531 million) for the six months ended 30 September 2023. The revenue margin for the six months ended 30 September 2023 remained flat at 20.2% as compared with the same period of the previous year.

Revenue from pachinko business for low playing cost halls increased by ¥4,850 million (equivalent to approximately HK\$254 million*), or 17.3%*, from ¥28,091 million (equivalent to approximately HK\$1,523 million) for the six months ended 30 September 2022 to ¥32,941 million (equivalent to approximately HK\$1,725 million) for the six months ended 30 September 2023. The revenue margin for the six months ended 30 September 2023 decreased by 0.4 percentage points* to 24.6% 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 ¥6,962 million (equivalent to approximately HK\$365 million*), or 13.3%*, from ¥52,246 million (equivalent to approximately HK\$2,833 million) for the six months ended 30 September 2022 to ¥59,208 million (equivalent to approximately HK\$3,099 million) for the six months ended 30 September 2023.

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 ¥3,683 million (equivalent to approximately HK\$193 million*), or 15.7%*, from ¥23,463 million (equivalent to approximately HK\$1,272 million) for the six months ended 30 September 2022 to ¥27,146 million (equivalent to approximately HK\$1,421 million) for the six months ended 30 September 2023.

Pachinko business expenses for low playing cost halls increased by ¥3,279 million (equivalent to approximately HK\$172 million*), or 11.4%*, from ¥28,783 million (equivalent to approximately HK\$1,561 million) for the six months ended 30 September 2022 to ¥32,062 million (equivalent to approximately HK\$1,678 million) for the six months ended 30 September 2023.

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 ¥1,143 million (equivalent to approximately HK\$60 million*), or 109.4%*, from ¥1,045 million (equivalent to approximately HK\$57 million) for the six months ended 30 September 2022 to ¥2,188 million (equivalent to approximately HK\$115 million) for the six months ended 30 September 2023.

The increase was primarily due to new aircraft acquired and leased during the six months ended 30 September 2023.

AIRCRAFT LEASING EXPENSES

Aircraft leasing expenses increased by ¥653 million (equivalent to approximately HK\$34 million*), or 97.6%*, from ¥669 million (equivalent to approximately HK\$37 million) for the six months ended 30 September 2022 to ¥1,322 million (equivalent to approximately HK\$69 million) for the six months ended 30 September 2023.

The increase was primarily due to expenses arising from new aircraft acquired and leased during the six months ended 30 September 2023.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by ¥96 million (equivalent to approximately HK\$5 million*), or 4.7%*, from ¥2,048 million (equivalent to approximately HK\$111 million) for the six months ended 30 September 2022 to ¥2,144 million (equivalent to approximately HK\$112 million) for the six months ended 30 September 2023.

OTHER INCOME

Other income decreased by ¥987 million (equivalent to approximately HK\$52 million*), or 19.9%*, from ¥4,950 million (equivalent to approximately HK\$268 million) for the six months ended 30 September 2022 to ¥3,963 million (equivalent to approximately HK\$207 million) for the six months ended 30 September 2023.

The main reason for the decrease was because the Group recognised compensation income for removal of halls in the previous year.

OTHER OPERATING EXPENSES

Other operating expenses decreased by ¥1,037 million (equivalent to approximately HK\$54 million*), or 45.1%*, from ¥2,301 million (equivalent to approximately HK\$125 million) for the six months ended 30 September 2022 to ¥1,264 million (equivalent to approximately HK\$67 million) for the six months ended 30 September 2023.

The decrease was primarily due to a decrease in impairment loss on non-financial assets.

FINANCE INCOME

Finance income increased by ¥246 million (equivalent to approximately HK\$13 million*), from ¥173 million (equivalent to approximately HK\$9 million) for the six months ended 30 September 2022 to ¥419 million (equivalent to approximately HK\$22 million) for the six months ended 30 September 2023.

FINANCE EXPENSES

Finance expenses increased by ¥159 million (equivalent to approximately HK\$8 million*), from ¥1,736 million (equivalent to approximately HK\$93 million) for the six months ended 30 September 2022 to ¥1,895 million (equivalent to approximately HK\$100 million) for the six months ended 30 September 2023.

* 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			
	2023		2022	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Net cash generated from operating activities	32,659	1,708	26,755	1,450
Net cash used in investing activities	(52,775)	(2,764)	(23,379)	(1,266)
Net cash generated from/(used in) financing activities	4,252	224	(4,382)	(238)
Effects of exchange rate changes on cash and cash equivalents	349	19	1,425	77
Net (decrease)/increase in cash and cash equivalents	(15,515)	(813)	419	23
Cash and cash equivalents at the beginning of period	59,605	3,121	56,508	3,064
Cash and cash equivalents at the end of period	44,090	2,308	56,927	3,087

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			
	2023		2022	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Operating profit before working capital changes	32,747	1,713	26,024	1,412
Change in working capital	1,538	80	2,353	126
Cash generated from operations	34,285	1,793	28,377	1,538
Income taxes paid	(39)	(2)	(421)	(23)
Finance expenses paid	(1,587)	(83)	(1,201)	(65)
Net cash generated from operating activities	32,659	1,708	26,755	1,450

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥19.10 to HK\$1.00, the exchange rate prevailing on 29 September 2023 (i.e. the last business day in September 2023).

⁽²⁾ 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).

Our net cash generated from operating activities was ¥32,659 million (equivalent to approximately HK\$1,708 million) for the six months ended 30 September 2023.

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, aircraft, freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles and construction in progress. Net cash used in investing activities was ¥52,775 million (equivalent to approximately HK\$2,764 million) for the six months ended 30 September 2023. The cash outflow for the six months ended 30 September 2023 was primarily due to the purchase of property, plant, and equipment.

Net cash generated from financing activities

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

Net cash generated from financing activities was ¥4,252 million (equivalent to approximately HK\$224 million) for the six months ended 30 September 2023.

The net cash generated from financing activities for the six months ended 30 September 2023 was primarily due to cash inflow by raising of bank loans in the amount of ¥20,590 million (equivalent to approximately HK\$1,078 million), while cash outflow by repayment of bank loans in the amount of ¥8,851 million (equivalent to approximately HK\$463 million), repayment of leases payables in the amount of ¥5,012 million (equivalent to approximately HK\$262 million), purchase of treasury shares in the amount of ¥692 million (equivalent to approximately HK\$36 million) and dividend payment in the amount of ¥1,783 million (equivalent to approximately HK\$93 million).

Financial Review

LIQUIDITY

Net current assets and working capital sufficiency

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

	30 September 2023 (unaudited)		31 March 2023 (audited)	
	(in millions)			
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Current assets				
Inventories	2,324	122	1,616	95
Trade receivables	437	23	407	24
Lease receivables	1,999	105	1,880	111
Prizes in operation of pachinko halls	2,548	133	2,896	170
Income taxes receivables	405	21	804	47
Other current assets	2,144	112	1,958	115
Cash and cash equivalents	44,090	2,308	59,605	3,504
	53,947	2,824	69,166	4,066
Current liabilities				
Trade and other payables	14,390	753	14,732	866
Borrowings	19,417	1,017	16,629	978
Lease payables	10,901	571	10,749	632
Provisions	1,512	79	1,540	91
Income taxes payables	1,441	75	600	35
Other current liabilities	10,733	562	9,590	563
	58,394	3,057	53,840	3,165
Net current assets	(4,447)	(233)	15,326	901

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥19.10 to HK\$1.00, the exchange rate prevailing on 29 September 2023 (i.e. the last business day in September 2023).

⁽²⁾ Translated into Hong Kong dollars at the rate of ¥17.01 to HK\$1.00, the exchange rate prevailing on 31 March 2023 (i.e. the last business day in March 2023).

As at 31 March 2023 and 30 September 2023, our net current assets totaled ¥15,326 million (equivalent to approximately HK\$901 million) and ¥(4,447) million (equivalent to approximately HK\$(233) million), respectively, and our current ratio was 1.3 and 0.9, 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 2023, The Group acquired pachinko and pachislot machines of ¥18,334 million (equivalent to approximately HK\$960 million) (2022: ¥14,339 million, equivalent to approximately HK\$778 million) anew.

Aircraft leasing business

During the six months ended 30 September 2023, the Group acquired aircraft of ¥25,823 million (equivalent to approximately HK\$1,352 million) (2022: ¥7,964 million, equivalent to approximately HK\$432 million) anew.

As a result, during the six months ended 30 September 2023, the Group acquired property, plant and equipment of ¥50,220 million (equivalent to approximately HK\$2,629 million) (2022: ¥24,439 million, equivalent to approximately HK\$1,325 million).

CONTINGENT LIABILITIES

As at 30 September 2023, 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 2023, there was no material acquisition and disposal of any of our subsidiaries.

SIGNIFICANT INVESTMENTS

Pachinko Business

During the six months ended 30 September 2023, the Group succeeded part of pachinko business. The information for more details is provided in Note 21 to the interim condensed consolidated financial information on page 58 of this Interim Report.

Save for the above and 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 2023.

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 2023.

Financial Review

EMPLOYEES

As at 30 September 2023, we had approximately 12,679 employees (31 March 2023: 12,722). We will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution and housing fund schemes.

CAPITAL STRUCTURE

Principal sources of funds

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

Indebtedness

Our short-term and long-term borrowings outstanding as at 30 September 2023 were ¥19,417 million (equivalent to approximately HK\$1,017 million) and ¥68,190 million (equivalent to approximately HK\$3,570 million), respectively.

These borrowings of the Group include short-term borrowings of ¥5,654 million (equivalent to approximately HK\$296 million) and long-term borrowings of ¥38,220 million (equivalent to approximately HK\$2,001 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 2023, the Group had a total amount of approximately ¥36,000 million (equivalent to approximately HK\$1,885 million) of banking facilities and an installment facility available to us, of which approximately ¥30,774 million (equivalent to approximately HK\$1,611 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\$785 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 2026.

On 31 August 2020, the Group entered into a contract with a Bank in the amount of ¥3,000 million (equivalent to approximately HK\$157 million). On 31 August 2023, the amount available was increased up to ¥5,000 million (equivalent to approximately HK\$262 million) by the renewal of the contract, which is available to 31 August 2024.

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\$785 million) for the purpose of procurement of pachinko and pachislot machines. It is available to 30 September 2024.

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

(i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares ⁽¹⁾	Approximate Percentage of Interests in the Company ⁽²⁾
Mr. Yoji SATO	Interest of controlled corporations ⁽³⁾	273,632,560	
	Interest of spouse ⁽³⁾	760	
	Other ⁽⁴⁾	147,654,616	
		421,287,936	59.628%
Mr. Kohei SATO	Beneficial owner	53,639,680	
	Interest of spouse ⁽⁵⁾	1,500,000	
	Other ⁽⁴⁾	366,148,256	
		421,287,936	59.628%
Mr. Akira HOSAKA	Beneficial owner	78,121	0.011%
Mr. Makoto SAKAMOTO	Beneficial owner	22,000	0.003%

Notes:

- (1) All interests stated are long positions.
- (2) There were 706,528,896 Shares in issue as at the end of the Reporting Period.
- (3) Out of the total 273,632,560 Shares, SAC, which is wholly-owned and controlled by Mr. Yoji SATO, is beneficially interested in 177,822,560 Shares. Rich-O is beneficially interested in remaining 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by Eurasia Foundation (from Asia) Limited which is also wholly-owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.
- (4) Each of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), and Mr. Kohei SATO (brother of Mr. Yoji SATO) (collectively, the "Sato Family Members") is a party acting in concert with Mr. Yoji SATO, SAC and Rich-O and each other to obtain or consolidate the holding of 30% or more of the Company, and is therefore deemed to be interested in the Shares in which Mr. Yoji SATO or any other Sato Family Member is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which any Sato Family Member is interested.
- (5) Mrs. Shizuka SATO, Mr. Kohei SATO's wife, is beneficially interested in 1,500,000 Shares, and such interests are deemed to be Mr. Kohei SATO's interests under the SFO.

(ii) *Interests in the associated corporation*

None of 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 ⁽¹⁾	Approximate Percentage of Interests in the Company ⁽²⁾
SAC	Beneficial owner ⁽³⁾	177,822,560	
	Interest of controlled corporation ⁽³⁾	95,810,000	
		273,632,560	38.729%
Rich-O	Beneficial owner ⁽³⁾	95,810,000	13.561%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	11.323%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse ⁽⁴⁾	273,632,560	
	Other ⁽⁶⁾	147,654,616	
		421,287,936	59.628%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation ⁽⁵⁾	14,580,104	
	Other ⁽⁶⁾	387,128,256	
		421,287,936	59.628%
Mr. Shigehiro SATO	Beneficial owner	40,975,680	
	Other ⁽⁶⁾	380,312,256	
		421,287,936	59.628%
Mrs. Yaeko NISHIWAKI	Beneficial owner	17,379,576	
	Other ⁽⁶⁾	403,908,360	
		421,287,936	59.628%
Mrs. Shizuka SATO	Beneficial owner	1,500,000	
	Interest of spouse ⁽⁷⁾	53,639,680	
		55,139,680	7.804%

Notes:

- (1) All interests stated are long positions.
- (2) There were 706,528,896 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) See Note (4) on page 25 of this interim report.
- (7) 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 served concurrently in both roles until 23 June 2023 and Mr. Akira HOSAKA thereafter.

However, the Board believes that both Mr. Makoto SAKAMOTO and Mr. Akira HOSAKA, in their 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, the 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 are as set out below:

- (1) As disclosed in the announcement of the Company dated 23 June 2023, Mr. Akira HOSAKA was appointed as the chief executive officer, the president, the chairman of the Board, a member of the nomination committee and a member of the remuneration committee of the Company and at the same time he was re-designated from a non-executive director to an executive director of the Company;
- (2) As disclosed in the announcement of the Company dated 23 June 2023, Mr. Makoto SAKAMOTO retired as the chief executive officer, an executive officer, the president, the chairman of the Board, a member of the nomination committee and a member of the remuneration committee of the Company and at the same time he was re-designated from an executive director to a non-executive director of the Company;
- (3) As disclosed in the announcement of the Company dated 23 June 2023, Ms. Mayumi ITO was appointed as an independent non-executive director, a member of the nomination committee and a member of the remuneration committee of the Company; and
- (4) As disclosed in the announcement of the Company dated 23 June 2023, Mr. Kei MURAYAMA retired as an independent non-executive director, a member of the nomination committee and a member of the remuneration committee of the Company.

INTERIM DIVIDENDS

The Board declared an interim dividend of ¥2.5 per ordinary Share in respect of the Reporting Period, payable on 12 January 2024 to the Shareholders whose names appear on the Company’s share register as at the close of business on 14 December 2023. Based on the assumption that 704,867,696 Shares shall be in issue as at 14 December 2023, it is expected that the interim dividend payable will amount to approximately ¥1,762 million (equivalent to approximately HK\$92 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 27 November 2023.

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

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

Month/Year	Number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$
June 2023	699,800	4.61	4.10	3,094,442
July 2023	1,390,200	4.87	4.16	6,255,988
August 2023	2,707,400	5.13	4.47	13,183,974
September 2023	2,891,200	5.41	4.70	14,599,970
	7,688,600	5.41	4.10	37,134,374

All of the above-described Shares repurchased were subsequently cancelled. The number of issued shares of the Company as of 30 September 2023 was 706,528,896.

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

On behalf of the Board

Akira HOSAKA

Chairman of the Board

27 November 2023

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 financial information set out on pages 31 to 59, which comprises the interim condensed consolidated statement of financial position of Dynam Japan Holdings Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2023 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 material accounting policy information 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 financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim 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 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

Tokyo, Japan

27 November 2023

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Interim Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Note	Six months ended 30 September	
		2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Revenue	4	64,375	56,195
Revenue from pachinko business		62,187	55,150
Revenue from aircraft leasing business		2,188	1,045
Pachinko business expenses	6	(59,208)	(52,246)
Aircraft leasing expenses	7	(1,322)	(669)
General and administrative expenses		(2,144)	(2,048)
Other income	8	3,963	4,950
Other operating expenses	9	(1,264)	(2,301)
Operating profit		4,400	3,881
Finance income	10	419	173
Finance expenses	11	(1,895)	(1,736)
Profit before income taxes		2,924	2,318
Income taxes	12	(1,050)	(1,135)
Net profit for the period		1,874	1,183
Attributable to:			
Owners of the Company		1,873	1,187
Non-controlling interests		1	(4)
		1,874	1,183
Earnings per share			
Basic (¥)	19	2.6	1.6
Diluted (¥)	19	2.6	1.6

Interim Condensed Consolidated Statement of **Comprehensive Income**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Note	Six months ended 30 September	
		2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Net profit for the period		1,874	1,183
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of financial assets measured at fair value through other comprehensive income		(735)	(1,299)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		(64)	0
		(799)	(1,299)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		4,761	4,602
Cash flow hedge		748	—
— Income tax effect of changes in cash flow hedge		(101)	—
		5,408	4,602
Other comprehensive income for the period, net of tax		4,609	3,303
Total comprehensive income for the period		6,483	4,486
Attributable to:			
Owners of the Company		6,482	4,490
Non-controlling interests		1	(4)
		6,483	4,486

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2023

	Note	At 30 September 2023 ¥ million (unaudited)	At 31 March 2023 ¥ million (audited)
Non-current assets			
Property, plant and equipment	13	179,579	146,876
Right-of-use assets		83,866	76,741
Investment properties		3,862	4,119
Intangible assets		6,466	3,730
Financial assets measured at fair value through other comprehensive income	20	1,717	1,706
Lease receivables		6,765	6,681
Deferred tax assets		10,843	9,811
Other non-current assets		7,072	6,778
		300,170	256,442
Current assets			
Inventories		2,324	1,616
Trade receivables	15	437	407
Lease receivables		1,999	1,880
Prizes in operation of pachinko halls		2,548	2,896
Income taxes receivables		405	804
Other current assets		2,144	1,958
Cash and cash equivalents		44,090	59,605
		53,947	69,166
TOTAL ASSETS		354,117	325,608
Current liabilities			
Trade and other payables	16	14,390	14,732
Borrowings		19,417	16,629
Lease liabilities		10,901	10,749
Provisions		1,512	1,540
Income taxes payables		1,441	600
Other current liabilities		10,733	9,590
		58,394	53,840

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2023

	Note	At 30 September 2023 ¥ million (unaudited)	At 31 March 2023 ¥ million (audited)
Net current assets		(4,447)	15,326
Total assets less current liabilities		295,723	271,768
Non-current liabilities			
Deferred tax liabilities		223	30
Borrowings		68,190	55,538
Lease liabilities		87,866	80,948
Other non-current liabilities		1,213	1,137
Provisions		5,796	5,688
		163,288	143,341
NET ASSETS		132,435	128,427
Capital and reserves			
Share capital		15,000	15,000
Capital reserve		6,440	7,129
Treasury shares	17	(73)	(70)
Retained earnings		107,067	106,977
Other components of equity		3,998	(611)
Equity attributable to owners of the Company		132,432	128,425
Non-controlling interests		3	2
TOTAL EQUITY		132,435	128,427

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Attributable to equity holders of the Company											
	Share capital	Capital reserve	Treasury shares	Retained earnings	Other components of equity					Non-controlling interests	Total equity	
					Fair value of financial assets at FVTOCI	Foreign currency translation reserve	Cash flow hedge	Other reserves	Total			
					¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)			¥ million (unaudited)
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 (Note 17(i))	-	-	(641)	-	-	-	-	-	-	(641)	-	(641)
Cancellation of treasury shares (Note 17(ii))	-	(651)	651	-	-	-	-	-	-	-	-	-
2022 dividend (Note 18)	-	-	-	(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
At 1 April 2023	15,000	7,129	(70)	106,977	(5,180)	5,500	(1,044)	113	(611)	128,425	2	128,427
Profit for the period	-	-	-	1,873	-	-	-	-	-	1,873	1	1,874
Other comprehensive income for the period	-	-	-	-	(799)	4,761	647	-	4,609	4,609	0	4,609
Total comprehensive income for the period	-	-	-	1,873	(799)	4,761	647	-	4,609	6,482	1	6,483
Purchase of treasury shares (Note 17(i))	-	-	(692)	-	-	-	-	-	-	(692)	-	(692)
Cancellation of treasury shares (Note 17(ii))	-	(689)	689	-	-	-	-	-	-	-	-	-
2023 dividend (Note 18)	-	-	-	(1,783)	-	-	-	-	-	(1,783)	-	(1,783)
Total changes in equity for the period	-	(689)	(3)	90	(799)	4,761	647	-	4,609	4,007	1	4,008
At 30 September 2023	15,000	6,440	(73)	107,067	(5,979)	10,261	(397)	113	3,998	132,432	3	132,435

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Note	Six months ended 30 September	
		2023	2022
		¥ million	¥ million
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		2,924	2,318
Adjustments for:			
Finance expenses		1,895	1,736
Finance income		(419)	(173)
Depreciation of property, plant and equipment		22,873	16,308
Depreciation of right-of-use assets		4,544	4,531
Amortisation of intangible assets		175	157
Loss/(gain) on sales of property, plant and equipment		496	(6)
Impairment loss on property, plant and equipment		164	350
Impairment loss on right-of-use assets		162	627
Others		(67)	176
Operating profit before working capital changes:		32,747	26,024
Decrease in prizes in operation of pachinko halls		348	64
Increase in inventories		(494)	(454)
Increase in trade receivables		(24)	(18)
Decrease in other non-current assets		105	167
Decrease in other current assets		416	2,069
Decrease in finance lease receivables		211	264
Increase/(decrease) in trade and other payables		26	(261)
Increase in other current liabilities		959	523
Increase/(decrease) in other non-current liabilities		19	(52)
(Decrease)/increase in current provisions		(28)	51
Cash generated from operations		34,285	28,377
Income taxes paid		(39)	(421)
Finance expenses paid		(1,587)	(1,201)
Net cash generated from operating activities		32,659	26,755

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Note	Six months ended 30 September	
		2023	2022
		¥ million	¥ million
		(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(48,966)	(24,358)
Proceeds from sales of property, plant and equipment		335	904
Proceeds from sales of investment properties		611	–
Purchase of intangible assets		(994)	(64)
Proceeds from sales of financial assets measured at fair value through other comprehensive income		17	2
Payments for business combinations	21	(4,012)	–
Payments for asset retirement obligations		(5)	(41)
Collection of loans receivables		–	40
Payment of rental deposits		(108)	(149)
Proceeds from refund of rental deposits		130	142
Finance income received		217	145
Net cash used in investing activities		(52,775)	(23,379)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		20,590	7,785
Other loans raised		–	2,692
Repayment of bank loans		(8,851)	(7,231)
Repayment of leases liabilities		(5,012)	(5,109)
Purchase of treasury shares	17	(692)	(641)
Dividends paid	18	(1,783)	(1,878)
Net cash generated from/(used in) financing activities		4,252	(4,382)
Effects of exchange rate changes on cash and cash equivalents		349	1,425
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(15,515)	419
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		59,605	56,508
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		44,090	56,927

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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 2023 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 27 November 2023.

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 2023 has been prepared in accordance with International Accounting Standard (“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 2023 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 2023 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2023 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 2023 with no impact on the Group's results of operations and financial positions:

- IAS 1 (Amendment), 'Presentation of Financial Statements'
- IAS 8 (Amendment), 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IAS 12 (Amendment), 'Income taxes'

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 2023

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 2024	31 March 2025	Classification of Liabilities as Current or Non-current and Disclosure of information on non-current liabilities with covenants
IAS 7 (Amendment)	Cash flows	1 January 2024	31 March 2025	Disclosure of information on supplier finance arrangements
IFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2024	31 March 2025	Disclosure of information on supplier finance arrangements
IFRS 16 (Amendment)	Leases	1 January 2024	31 March 2025	Clarification of subsequent measurement requirements for sale and leaseback transactions
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 that interim condensed consolidated financial information are the same as that of the consolidated financial information for the year ended 31 March 2023, 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 .

4. REVENUE

	Six months ended 30 September	
	2023	2022
	¥ million (unaudited)	¥ million (unaudited)
Gross pay-ins	278,822	245,981
Less: Gross payouts	(216,635)	(190,831)
Revenue from pachinko business	62,187	55,150
Revenue from aircraft leasing business	2,188	1,045
Revenue	64,375	56,195

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

5. SEGMENT INFORMATION

(a) Segment information

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

5. SEGMENT INFORMATION *(Continued)*

(a) *Segment information (Continued)*

The segment information provided to the executive directors for the six months ended 30 September 2023 and 2022 are as follows:

	Six months ended 30 September 2023				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	62,187	2,188	64,375	–	64,375
Other segment items					
Depreciation and amortisation expenses	(26,427)	(1,068)	(27,495)	(31)	(27,526)
Impairment loss	(326)	–	(326)	–	(326)
Finance income	84	117	201	218	419
Finance expenses	(1,260)	(635)	(1,895)	(0)	(1,895)
Segment profit	2,707	606	3,313	–	3,313
Corporate expenses					(389)
Profit before income taxes					2,924
Income taxes					(1,050)
Net profit for the period					1,874
Addition to non-current assets other than financial instruments and deferred tax assets	38,430	26,513	64,943	7	64,950

5. SEGMENT INFORMATION *(Continued)*

(a) *Segment information (Continued)*

	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)
Segment revenue from external customers	55,150	1,045	56,195	–	56,195
Other segment items					
Depreciation and amortisation expenses	(20,392)	(509)	(20,901)	(26)	(20,927)
Impairment loss	(977)	–	(977)	–	(977)
Finance income	89	19	108	65	173
Finance expenses	(1,112)	(230)	(1,342)	(394)	(1,736)
Segment profit	3,102	169	3,271	–	3,271
Corporate expenses					(953)
Profit before income taxes					2,318
Income taxes					(1,135)
Net profit for the period					1,183
Addition to non-current assets other than financial instruments and deferred tax assets	22,682	7,964	30,646	5	30,651

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

5. SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

The segment assets and segment liabilities as at 30 September 2023 and as at 31 March 2023 are as follows:

	At 30 September 2023				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment assets	250,055	80,550	330,605	23,295	353,900
Segment liabilities	107,106	74,429	181,535	39,930	221,465

An increase in segment assets and liabilities for aircraft leasing business was primarily due to new aircraft acquired and leased during the six months ended 30 September 2023.

	At 31 March 2023				
	Pachinko business ¥ million (audited)	Aircraft leasing business ¥ million (audited)	Segment Total ¥ million (audited)	Unallocated ¥ million (audited)	Total ¥ million (audited)
Segment assets	254,970	47,282	302,252	23,356	325,608
Segment liabilities	113,374	45,471	158,845	38,336	197,181

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 2023		
	Japan	Europe	Total
	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)
Segment revenue from external customers	62,187	2,188	64,375

	At 30 September 2023		
	Japan	Europe	Total
	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)
Segment non-current assets other than financial instruments and deferred tax assets	200,329	73,619	273,948

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

	At 31 March 2023		
	Japan	Europe	Total
	¥ million (audited)	¥ million (audited)	¥ million (audited)
Segment non-current assets other than financial instruments and deferred tax assets	190,278	41,626	231,904

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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	
	2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Advertising expenses	1,474	1,382
Cleaning and ancillary services	1,266	1,123
Depreciation expenses	21,779	15,749
Hall staff costs	18,857	19,066
Pachinko and pachislot machine expenses	1,664	1,885
Depreciation expenses of right-of-use assets	4,496	4,484
Rental expenses	2	27
Repair and maintenance expenses	1,888	1,201
Utilities expenses	3,936	3,616
Others	3,846	3,713
	59,208	52,246

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	
	2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Depreciation expenses	970	438
Amortisation expenses	98	71
Others	254	160
	1,322	669

8. OTHER INCOME

	Six months ended 30 September	
	2023	2022
	¥ million	¥ million
	(unaudited)	(unaudited)
Commission from vending machines and in-store sales	1,696	1,443
Income from forfeiture of customer's membership cards	77	71
Income from catering services	332	300
Sales revenue from property held for sale	78	1
Net gains on sales of used machines	250	905
Rental income	400	336
Government grants	142	200
Compensation income for removal of halls	–	817
Others	988	877
	3,963	4,950

9. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2023	2022
	¥ million	¥ million
	(unaudited)	(unaudited)
Disposal cost of non-financial assets	668	1,008
Impairment loss of non-financial assets (Note 13)	326	977
Cost of sales of property held for sale	49	1
Rental expenses	65	105
Others	156	210
	1,264	2,301

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

10. FINANCE INCOME

	Six months ended 30 September	
	2023	2022
	¥ million	¥ million
	(unaudited)	(unaudited)
Bank interest income	104	32
Finance leases interest income	97	99
Dividend income	16	15
Foreign exchange gain, net	175	–
Others	27	27
	419	173

11. FINANCE EXPENSES

	Six months ended 30 September	
	2023	2022
	¥ million	¥ million
	(unaudited)	(unaudited)
Interest expenses	853	368
Amortisation of syndicated bank loan charges	42	39
Foreign exchange loss, net	–	393
Interest on lease liabilities	971	902
Others	29	34
	1,895	1,736

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	
	2023	2022
	¥ million	¥ million
	(unaudited)	(unaudited)
Current taxes	1,272	537
Deferred taxes	(222)	598
	1,050	1,135

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired pachinko and pachislot machines of ¥18,334 million (2022: ¥14,339 million) and aircraft of ¥25,823 million (2022: ¥7,964 million).

As a result, during the six months ended 30 September 2023, the Group acquired property, plant and equipment of ¥50,220 million (2022: ¥24,439 million).

For the operation of pachinko hall, 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 5.5% to 8.4%. The annual revenue growth rates after revenue being recovered up to the level before COVID-19 pandemic (fiscal year ended 31 March 2020) are estimated to be 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 ¥326 million as impairment loss of non-financial assets during the six months ended 30 September 2023 (2022: ¥977 million).

The rate used to discount the cash flow projections from the CGU's operating result is 2.90% (2022: 3.49%).

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

14. CAPITAL COMMITMENTS

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

	At 30 September 2023 ¥ million (unaudited)	At 31 March 2023 ¥ million (audited)
Capital commitment-purchase on property, plant and equipment	9,473	20,652
	9,473	20,652

The capital commitment-purchases of ¥9,124 million and ¥16,292 million on aircraft at 30 September 2023 and 31 March 2023 respectively were included in the above.

15. TRADE RECEIVABLES

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

	At 30 September 2023 ¥ million (unaudited)	At 31 March 2023 ¥ million (audited)
1 to 30 days	415	384
31 to 60 days	6	14
Over 60 days	16	9
	437	407

16. TRADE AND OTHER PAYABLES

	At 30 September 2023 ¥ million (unaudited)	At 31 March 2023 ¥ million (audited)
Trade payables	980	985
Halls construction and system payables	1,226	1,390
Other tax expenses	1,469	2,613
Pachinko and pachislot machine payables	3,514	3,801
Accrued staff costs	5,969	4,886
Advertisement and promotions	132	152
Housing rent	171	193
Others	929	712
	14,390	14,732

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

	At 30 September 2023 ¥ million (unaudited)	At 31 March 2023 ¥ million (audited)
1 to 30 days	980	985
31 to 60 days	-	-
Over 60 days	-	-
	980	985

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

17. TREASURY SHARES

Changes of the Company's treasury shares for the six months ended 30 September 2023 and 2022 are as follows:

	Note	Six months ended 30 September		2022	
		2023		Number of Ordinary share	¥ million (unaudited)
Balance at the beginning of the period		788,800	70	297,400	35
Increase in treasury shares	(i), (ii)	7,688,600	692	5,317,800	641
Decrease in treasury shares	(iii)	(7,746,200)	(689)	(5,385,200)	(651)
Balance at the end of the period		731,200	73	230,000	25

Notes:

- (i) The increase of 7,688,600 treasury shares during the six months ended 30 September 2023 consists of 7,688,600 shares acquired as treasury shares subject to Article 156 (replacement of the third paragraph of Article 165) of the Company Law of Japan (the Japan Company Law).

The Company held the general meeting on 23 June 2023 where the general mandate to repurchase shares of the Company was granted within the range of 71,348,629 shares.

- (ii) 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.

- (iii) The decrease of 7,746,200 and 5,385,200 treasury shares during the six months ended 30 September 2023 and 2022 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 2023 and 2022, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

Dividends declared and paid/payable to its shareholders by:	Six months ended 30 September			
	2023		2022	
	Dividend per share ¥	Total Dividends ¥ million (unaudited)	Dividend per share ¥	Total Dividends ¥ million (unaudited)
Final dividend paid	2.50	1,783	2.60	1,878
		1,783		1,878

On 27 November 2023, the Board of Directors declared an interim dividend of ¥2.50 per ordinary share of the Company, which is payable on 12 January 2024 to the shareholders of the Company.

19. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2023	2022
	¥ million (unaudited)	¥ million (unaudited)
Earnings for the purpose of calculating basic earnings per share	1,873	1,187
Weighted average number of shares	711,697,552	720,516,906
Basic earnings per share (¥)	2.6	1.6

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2023 and 2022 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2023 and 2022.

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	At 30 September 2023		At 31 March 2023	
	¥ million (unaudited)		¥ million (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at FVTOCI	1,717	1,717	1,706	1,706
Financial assets measured at amortised cost				
Rental deposits	5,718	5,720	5,824	5,924
Lease receivables	8,764	8,764	8,561	8,561
Derivatives				
Financial assets designated as hedging instruments	494	494	91	91
Total	16,693	16,695	16,182	16,282
Financial liabilities				
Financial liabilities measured at amortised cost				
Borrowings	87,607	87,607	72,167	72,167
Total	87,607	87,607	72,167	72,167

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 2023

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 2023				
Description	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	
	¥ million	¥ million	¥ million	¥ million
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	482	–	–	482
Listed securities in Japan	778	–	–	778
Others	–	–	457	457
Derivatives				
Financial assets designated as hedging instruments	–	494	–	494
Total	1,260	494	457	2,211

At 31 March 2023				
Description	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	
	¥ million	¥ million	¥ million	¥ million
	(audited)	(audited)	(audited)	(audited)
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	686	–	–	686
Listed securities in Japan	576	–	–	576
Others	–	–	444	444
Derivatives				
Financial assets designated as hedging instruments	–	91	–	91
Total	1,262	91	444	1,797

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 2023 and 2022 were as follows:

	Six months ended 30 September	
	2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Balance at beginning of the period	444	877
Gain in other comprehensive income	21	42
Purchases	3	1
Sales	(11)	(1)
Others	–	(451)
Balance at end of the period	457	468

(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 .

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

21. BUSINESS COMBINATION

a. *The overview of the absorption type company split*

On 31 July 2023, the Group succeeded part of the pachinko business split off by Keiai Co., Ltd. through DYNAM Co.,Ltd. as a successor of the pachinko business.

b. *The purpose of the absorption type company split*

In order to enhance the Group's future corporate performance, the Group has been developing hall openings in business areas with a large market size. However, since the Group cannot ensure that it can secure customers by opening new halls, the Group has chosen to open halls by acquiring businesses that have existing customers in the new hall area.

c. *Acquisition price and fair value of assets acquired and liabilities assumed on the acquisition date*

	Fair value ¥ million
Consideration (Cash)	4,066
Cash and cash equivalents	54
Property, plant and equipment	1,543
Right-of-use assets	3,048
Other assets	24
Deferred tax assets	797
Lease liabilities	(3,048)
Other liabilities	(170)
Assets and liabilities (Net)	2,248
Goodwill	1,818

Acquisition-related costs of ¥65 million were incurred in general and administrative expenses in profit or loss.

The goodwill arising from this absorption type company split is mainly attributable to the expected excess earning power in the Group's operations of pachinko business.

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

21. BUSINESS COMBINATION *(Continued)*

d. Impact on the consolidated profit or loss

There is little impact on the interim condensed consolidated statement of profit or loss for the six months ended 30 September 2023 due to this absorption type company split.

e. Pro forma information

Assuming that the date of the acquisition of this acquisition was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the condensed interim consolidated revenue and profit for the six months ended 30 September 2023 would not be material.

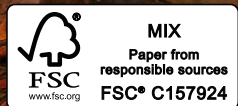
Definitions

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.

“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
“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
“high playing cost” 高貸玉	playing cost of 4 yen per pachinko ball and 20 yen per pachislot token
“low playing cost” 低貸玉	playing cost of less than 4 yen per pachinko ball and less than 20 yen per pachislot token
“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
“Reporting Period” 報告対象期間	the period from 1 April 2023 to 30 September 2023
“Rich-O” リッチオ	Rich-O Co., Ltd., a stock company incorporated in Japan with limited liability
“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.*



About the Cover

A human powered rickshaw which has been used since Meiji era is far more than just a transportation means; it is a culture where Japanese specific spirit of “Omotenashi (i.e. Japanese hospitality)” resides. It can be associated with our corporate philosophy to value the linkage with stakeholders.