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DYNAM JAPAN HOLDINGS Co., Ltd.

(incorporated in Japan with limited liability)

(Stock Code: 06889)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

HIGHLIGHTS

- Our gross pay-ins were ¥506,949 million (or HK\$32,414 million^Δ), recording an increase of 6.7% as compared with the year ended 31 March 2021;
- Our total revenue was ¥105,141 million (or HK\$6,723 million^Δ), recording an increase of 6.6% as compared with the year ended 31 March 2021;
- Our profit before income tax was ¥8,509 million (or HK\$544 million^Δ), recording an increase of 96.0% as compared with the year ended 31 March 2021;
- Our net profit for the period attributable to owners of the Company was ¥4,997 million (or HK\$319 million^Δ), recording an increase of 111.5% as compared with the year ended 31 March 2021;
- We operated 433 halls as at 31 March 2022 (442 halls as at 31 March 2021);
- Basic earnings per share of the Company were ¥6.8 (or HK\$0.4^Δ); and
- The Board has resolved to declare a final dividend of ¥2.6 per ordinary share (interim: ¥2.4 per ordinary share).

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

Note: The above % increases and decreases are referred to the changes in respect of the Japanese yen amounts but not the translated amounts in Hong Kong dollars.

The board (the “Board”) of directors (the “Directors”) of DYNAM JAPAN HOLDINGS Co., Ltd. (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2022. The results have been audited by PricewaterhouseCoopers Aarata LLC, the Company’s auditor and the audit committee of the Company (the “Audit Committee”).

CURRENCY TRANSLATIONS

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

1. ¥15.64 to HK\$1.00, the exchange rate prevailing on 31 March 2022 (i.e. the last business day in March 2022).
2. ¥14.24 to HK\$1.00, the exchange rate prevailing on 31 March 2021 (i.e. the last business day in March 2021).

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

BUSINESS OVERVIEW

Pachinko Business

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

■ ***Initiatives to Realize Everyday Entertainment***

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

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

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

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

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

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

Multiple-hall development

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

■ ***Opening new standardized halls***

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

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

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

— *Standardizing hall specifications*

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

— *Wood-frame halls on land leased for 20 years*

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

■ ***Acquiring other pachinko hall operators into the Group***

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

Low-cost operations

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

■ ***Using second-hand gaming machines and establishing distribution centers***

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

■ ***Use of Information and Communication Technology (ICT)***

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

BUSINESS ENVIRONMENT

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

RECENT ACTIVITIES

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

Pachinko business

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

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

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

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

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

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

Gross pay-ins

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

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

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

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

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

Gross payouts

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

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

Our gross payouts by hall type are as follows:

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

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

Revenue from pachinko business and revenue margin

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

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

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

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

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

Pachinko business expenses

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

Our Pachinko business expenses by hall type are as follows:

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

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

Aircraft leasing business

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

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

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

Revenue from aircraft leasing business

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

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

Aircraft leasing expenses

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

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

General and administrative expenses

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

Other income

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

Other operating expenses

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

Finance income

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

Finance expenses

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

Events after the reporting period

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

		2022	2021
	<i>Note</i>	¥ million	¥ million
Revenue	6,7	105,141	98,602
Revenue from pachinko business	6,7	103,588	97,141
Revenue from aircraft leasing business	6,7	1,553	1,461
Pachinko business expenses	8	(93,950)	(96,673)
Aircraft leasing expenses	9	(961)	(891)
General and administrative expenses		(4,279)	(4,340)
Other income		9,114	11,561
Other operating expenses		(4,411)	(1,531)
Operating profit		10,654	6,728
Finance income		426	286
Finance expenses		(2,571)	(2,672)
Profit before income tax		8,509	4,342
Income taxes	10	(3,532)	(1,991)
Net profit for the year		4,977	2,351
Net profit attributable to:			
Owners of the Company		4,997	2,363
Non-controlling interests		(20)	(12)
Net profit		4,977	2,351
Earnings per share	12		
Basic (¥)		6.8	3.1
Diluted (¥)		6.8	3.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Note</i>	2022 ¥ million	2021 ¥ million
Non-current assets			
Property, plant and equipment		118,648	96,415
Right-of-use assets		73,850	77,537
Investment properties		3,263	2,619
Intangible assets		3,440	3,348
Financial assets measured at fair value through other comprehensive income		2,255	3,405
Lease receivables		6,483	5,275
Deferred tax assets		10,964	13,412
Other non-current assets		7,031	7,272
		225,934	209,283
Current assets			
Inventories		1,064	5,080
Trade receivables	15	332	361
Lease receivables		1,977	2,007
Prizes in operation of pachinko halls		2,921	3,685
Income tax receivables		671	3,172
Other current assets		4,014	2,824
Cash and cash equivalents		56,508	74,661
		67,487	91,790
TOTAL ASSETS		293,421	301,073
Current liabilities			
Trade and other payables	13	12,312	19,997
Borrowings		12,945	11,380
Lease liabilities		11,245	12,040
Provisions		1,386	1,653
Income taxes payables		844	6,215
Other current liabilities		8,592	8,527
		47,324	59,812
Net current assets		20,163	31,978
Total assets less current liabilities		246,097	241,261

	<i>Note</i>	2022 ¥ million	2021 ¥ million
Non-current liabilities			
Deferred tax liabilities		116	56
Borrowings		30,196	22,587
Lease liabilities		78,017	79,899
Other non-current liabilities		1,170	1,150
Provisions		5,616	5,597
		115,115	109,289
NET ASSETS		130,982	131,972
Capital and reserves			
Share capital	14	15,000	15,000
Capital reserve		8,152	11,304
Treasury shares	14	(35)	–
Retained earnings		108,840	107,104
Other components of equity		(920)	(1,403)
Equity attributable to owners of the Company		131,037	132,005
Non-controlling interests		(55)	(33)
TOTAL EQUITY		130,982	131,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

3. USE OF ESTIMATES AND JUDGEMENTS

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

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ending	Summary of new standards and amendments
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

6. REVENUE

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

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

7. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

(b) Information about geographical areas

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

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

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

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

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

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

(c) Information about major customers

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

(d) Additional information

Due to the continuous change in the Group environment of the averaged actual useful life, the Group has been using its pachinko and pachislot machines for a longer period than the past. In view of this new condition, the Group has adopted the depreciation period of 2 years based on the changes in the environment of the usage of the machines. While the adoption of new accounting policy is triggered from event and condition that differ in substance from those previously occurring, it is assessed that it is not a change in accounting policy.

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

8. PACHINKO BUSINESS EXPENSES

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

(*1) An increase in depreciation expenses is mainly attributable to an increase in depreciation expenses arising from pachinko and pachislot machines.

(*2) A decrease in PACHINKO BUSINESS EXPENSES was primarily due to a decrease in pachinko and pachislot machine expenses.

9. AIRCRAFT LEASING EXPENSES

	2022 ¥ million	2021 ¥ million
Depreciation expenses	632	594
Amortisation expenses	118	111
Others	211	186
	<u>961</u>	<u>891</u>

10. INCOME TAXES

	2022 ¥ million	2021 ¥ million
Current taxes — Japan Profits Tax		
Provision for the year	876	686
Under-provision for the year	7	—
	<u>883</u>	<u>686</u>
Current taxes — Overseas		
Provision for the year	2	9
	<u>2</u>	<u>9</u>
Deferred taxes		
Provision for the year	2,647	1,296
	<u>2,647</u>	<u>1,296</u>
Income tax expense	<u>3,532</u>	<u>1,991</u>

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

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

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

11. DIVIDENDS

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

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

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

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

12. EARNINGS PER SHARE

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

	2022 ¥ million	2021 ¥ million
1 to 30 days	973	1,025
31 days to 60 days	—	—
Over 60 days	4	7
	<u>977</u>	<u>1,032</u>

14. SHARE CAPITAL AND TREASURY SHARE

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

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

Notes:

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

15. TRADE RECEIVABLES

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

	2022 ¥ million	2021 ¥ million
1 to 30 days	327	343
31 days to 60 days	–	10
Over 60 days	5	8
	<u>332</u>	<u>361</u>

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Former Code Provision E.1.3

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

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

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

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

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

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

FINAL DIVIDEND

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dyjh.co.jp>). The annual report of the Company for the year ended 31 March 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available for review on the aforesaid websites in due course.

By order of the Board
DYNAM JAPAN HOLDINGS Co., Ltd.
Makoto SAKAMOTO
Chairman of the Board and Chief Executive Officer

Tokyo, Japan, 25 May 2022

As of the date of this announcement, the executive director of the Company is Mr. Makoto SAKAMOTO, the non-executive directors of the Company are Mr. Yoji SATO, Mr. Kohei SATO and Mr. Akira HOSAKA, and the independent non-executive directors of the Company are Mr. Mitsutoshi KATO, Mr. Thomas Chun Kee YIP, Mr. Kei MURAYAMA, Mr. Kiyohito KANDA and Mr. Koji KATO.