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DYNAM JAPAN HOLDINGS Co., Ltd.

(incorporated in Japan with limited liability)

(Stock Code: 06889)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

HIGHLIGHTS

- Our gross pay-ins were ¥245,981 million (or HK\$13,339 million^Δ), recording a decrease of 3.7% as compared with the six months ended 30 September 2021;
- Our total revenue was ¥56,195 million (or HK\$3,048 million^Δ), recording an increase of 10.4% as compared with the six months ended 30 September 2021;
- Our profit before income tax was ¥2,318 million (or HK\$126 million^Δ), recording a decrease of 58.5% as compared with the six months ended 30 September 2021;
- Our net profit for the period attributable to owners of the Company was ¥1,187 million (or HK\$64 million^Δ), recording a decrease of 65.3% as compared with the six months ended 30 September 2021;
- We operated 433 halls as at 30 September 2022 (438 halls as at 30 September 2021);
- Basic earnings per share of the Company were ¥1.6 (or HK\$0.1^Δ); and
- The Board has resolved to declare an interim dividend of ¥2.5 per ordinary share.

^Δ 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).

Note: The above % increase and decrease 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 interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2022. The results have been reviewed 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 Interim Announcement, certain amounts denominated in Japanese yen are translated into Hong Kong dollars at the rate described below:

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

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

BUSINESS OVERVIEW

PACHINKO BUSINESS

Pachinko Hall Operation as Our Core Business

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

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

Pachinko Game Play Summary

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

Pachinko and pachislot machines

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

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

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

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

Prizes

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

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

Business Environment

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

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

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

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

Initiatives to Realise Everyday Entertainment

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

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

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

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

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

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

AIRCRAFT LEASING BUSINESS

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

Business Environment

During the reporting period, in the airline industry, due to the relaxation of entry restrictions, passenger demand has shown signs of picking up, especially in Europe and the United States. In such an environment, demand for aircraft leasing which plays an important role in providing funds and liquidity to airlines, is on a recovery trend and is expected to increase in the medium term.

Recent Activities

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

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

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

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

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

- * The Company acquired two committed aircrafts (Airbus A321neo) for operating lease via sale and leaseback transaction and newly entered into the aircraft sale agreement and lease agreement for two new aircrafts (Airbus A321neo) after the end of the reporting period. Please refer to Note 13 to the interim condensed consolidated information on page 24 of this Interim Announcement.

FINANCIAL REVIEW

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

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

(1) 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).

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

(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

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

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

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

PACHINKO BUSINESS

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

GROSS PAY-INS

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

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

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

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

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

GROSS PAYOUTS

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

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

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

Our gross payouts by hall type are as follows.

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

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

REVENUE FROM PACHINKO BUSINESS AND REVENUE MARGIN

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

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

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

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

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

PACHINKO BUSINESS EXPENSES

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

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

Our pachinko business expenses by hall type are as follows.

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

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

AIRCRAFT LEASING BUSINESS

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

REVENUE FROM AIRCRAFT LEASING BUSINESS

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

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

AIRCRAFT LEASING EXPENSES

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

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

OTHER INCOME

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

OTHER OPERATING EXPENSES

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

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

FINANCE INCOME

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

FINANCE EXPENSES

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

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended 30 September	
Note	2022 ¥ million (unaudited)	2021 ¥ million (unaudited)
Net profit for the period	1,183	3,416
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	(1,299)	(504)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income	0	1
	<u>(1,299)</u>	<u>(503)</u>
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	4,602	184
	<u>4,602</u>	<u>184</u>
Other comprehensive income for the period, net of tax	<u>3,303</u>	(319)
Total comprehensive income for the period	<u>4,486</u>	<u>3,097</u>
Attributable to:		
Owners of the Company	4,490	3,101
Non-controlling interests	(4)	(4)
	<u>4,486</u>	<u>3,097</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2022

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

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

Adoption of new and revised International Financial Reporting Standards

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

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

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

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ending	Summary of new standards and amendments
IAS 1 (Amendment)	Presentation of Financial Statements	1 January 2023	31 March 2024	Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
IAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023	31 March 2024	Clarification of the Definition of Accounting Estimates
IAS 12 (Amendment)	Income taxes	1 January 2023	31 March 2024	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
IFRS 10 (Amendment)	Consolidated Financial Statements	To be determined	To be determined	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 28 (Amendment)	Investments in Associates and Joint Ventures	To be determined	To be determined	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

3. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

4. REVENUE

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

'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.

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

	Six months ended 30 September 2022				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	55,150	1,045	56,195	–	56,195
Other segment items					
Depreciation and amortisation expenses	(20,316)	(509)	(20,825)	(102)	(20,927)
Impairment loss	(948)	–	(948)	(29)	(977)
Finance income	89	19	108	65	173
Finance expenses	(1,100)	(230)	(1,330)	(406)	(1,736)
Segment profit	4,757	169	4,926	–	4,926
Corporate expenses					(2,608)
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	<u>22,181</u>	<u>7,964</u>	<u>30,145</u>	<u>506</u>	<u>30,651</u>

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

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

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

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

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

(b) Geographical information

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

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

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

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

	Six months ended 30 September 2021		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	<u>50,139</u>	<u>758</u>	<u>50,897</u>
	At 31 March 2022		
	Japan ¥ million (audited)	Europe ¥ million (audited)	Total ¥ million (audited)
Segment non-current assets other than financial instruments and deferred tax assets	<u>182,315</u>	<u>17,488</u>	<u>199,803</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.

6. PACHINKO BUSINESS EXPENSES

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

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

7. AIRCRAFT LEASING EXPENSES

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

8. INCOME TAXES

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

11. DIVIDENDS

During the six months ended 30 September 2022 and 2021, the Company made the following distributions.

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

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

12. EARNINGS PER SHARE

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

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

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

13. SIGNIFICANT SUBSEQUENT EVENT

(Execution of sale and leaseback agreement)

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

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

(Entering into new sale and leaseback agreement)

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

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

CORPORATE GOVERNANCE

Compliance With the Corporate Governance Code

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

Code Provision C.2.1

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

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

Compliance With the Model Code for Securities Transactions by Directors and “Rules on Prevention of Insider Dealings” by Directors

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

Audit Committee’s Review of Financial Statements

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

INTERIM DIVIDENDS

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

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

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

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

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

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dyjh.co.jp>). The interim report of the Company for the six months ended 30 September 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the aforesaid websites in due course.

DEFINITIONS

In this announcement (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.

“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

By order of the Board
DYNAM JAPAN HOLDINGS Co., Ltd.
Makoto SAKAMOTO
Chairman of the Board

Tokyo, Japan, 24 November 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.