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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 2023

HIGHLIGHTS

- Our gross pay-ins were ¥278,822 million (or HK\$14,598 million[△]), recording an increase of 13.4% as compared with the six months ended 30 September 2022;
- Our total revenue was ¥64,375 million (or HK\$3,371 million[△]), recording an increase of 14.6% as compared with the six months ended 30 September 2022;
- Our profit before income tax was ¥2,924 million (or HK\$153 million[△]), recording an increase of 26.1% as compared with the six months ended 30 September 2022;
- Our net profit for the period attributable to owners of the Company was ¥1,873 million (or HK\$98 million[△]), recording an increase of 57.8% as compared with the six months ended 30 September 2022;
- We operated 434 halls as at 30 September 2023 (433 halls as at 30 September 2022);
- Basic earnings per share of the Company were ¥2.6 (or HK\$0.1[△]); and
- The Board has resolved to declare an interim dividend of ¥2.5 per ordinary share.

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

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 2023. 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 announcement, certain amounts denominated in Japanese yen are translated into Hong Kong dollars at the rate described below:

1. ¥19.10 to HK\$1.00, the exchange rate prevailing on 29 September 2023 (i.e. the last business day in September 2023).
2. ¥18.44 to HK\$1.00, the exchange rate prevailing on 30 September 2022 (i.e. the last business day in September 2022).
3. ¥17.01 to HK\$1.00, the exchange rate prevailing on 31 March 2023 (i.e. the last business day in March 2023).

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

BUSINESS OVERVIEW

PACHINKO BUSINESS

Business Environment

During the six months ended 30 September 2023, the economy in Japan was on a gradual recovery path with the effects of COVID-19 coming to an end, a recovery of the flow of people thanks to easing of domestic activity restrictions and entry restrictions and so on. On the other hand, the outlook remained unclear due to geopolitical risks related to the situation in Ukraine, etc., risks of a downswing of overseas economies against a background of the monetary tightening worldwide and so forth.

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

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

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

Pachinko Hall Operation as Our Core Business

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

The Group operates the industry's largest pachinko hall network with 434 halls as at the end of September 2023.

Pachinko Game Play Summary

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

Pachinko and pachislot machines

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

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

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

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

Prizes

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

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

Initiatives to Realise Everyday Entertainment

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

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

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

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

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

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

Multiple-hall development

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

Opening new standardised halls

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

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

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

Standardising hall specifications

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

Wood-frame halls on land leased for 10 to 20 years

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

Acquiring Other Pachinko Hall Operators into the Group

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

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

Low-cost operations

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

Using second-hand gaming machines and establishing distribution centers

The Group installs not only the newest and most popular hit models of gaming machines, but also an array of second-hand ones procured at low cost in its halls. The Group has established 16 distribution centers throughout Japan, each of which covers the logistical needs and facilitates the sharing of gaming machines among 20 to 30 halls, thereby saving machine expenses. The gaming machines installed in the halls are centrally managed according to coverage area by these distribution centers. The centers help the Group to flexibly manage the lineup of gaming machines in the halls.

Use of ICT systems

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

AIRCRAFT LEASING BUSINESS

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

Business Environment

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

Recent Activities

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

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

Aircraft type	Owned aircraft	Managed aircraft	Committed aircraft	Total
Airbus A320 series	<u>9</u>	<u>4</u>	<u>1</u>	<u>14</u>

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

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



Operating assets

¥72,437 million



Average age of aircraft

1.7 years



Average remaining lease period

5.8 years



Narrow body aircraft ratio

100%



Next-generation aircraft ratio

89%



Yield

8.2%

FINANCIAL REVIEW

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

	Six months ended 30 September				
	2023		2022		
	(unaudited)		(unaudited)		
	(in millions, except for percentages)				
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾	changes ⁽³⁾
Gross pay-ins					
— High playing cost halls	145,059	7,595	133,696	7,250	8.5%
— Low playing cost halls	133,763	7,003	112,285	6,089	19.1%
Total gross pay-ins	<u>278,822</u>	<u>14,598</u>	<u>245,981</u>	<u>13,339</u>	<u>13.4%</u>
Gross payouts					
— High playing cost halls	115,813	6,064	106,637	5,782	8.6%
— Low playing cost halls	100,822	5,278	84,194	4,566	19.7%
Total gross payouts	<u>216,635</u>	<u>11,342</u>	<u>190,831</u>	<u>10,348</u>	<u>13.5%</u>
Revenue from pachinko business					
— High playing cost halls	29,246	1,531	27,059	1,468	8.1%
— Low playing cost halls	32,941	1,725	28,091	1,523	17.3%
Total revenue from pachinko business	<u>62,187</u>	<u>3,256</u>	<u>55,150</u>	<u>2,991</u>	<u>12.8%</u>
Revenue from aircraft leasing business	<u>2,188</u>	<u>115</u>	<u>1,045</u>	<u>57</u>	<u>109.4%</u>
Total revenue	<u>64,375</u>	<u>3,371</u>	<u>56,195</u>	<u>3,048</u>	<u>14.6%</u>

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

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

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

FINANCIAL REVIEW

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

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

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

PACHINKO BUSINESS

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

GROSS PAY-INS

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

Our gross pay-ins was ¥245,981 million (equivalent to approximately HK\$13,339 million) and ¥278,822 million (equivalent to approximately HK\$14,598 million) for the six months ended 30 September 2022 and 2023 respectively.

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

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

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

GROSS PAYOUTS

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

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

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

Our gross payouts by hall type are as follows.

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

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

REVENUE FROM PACHINKO BUSINESS AND REVENUE MARGIN

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

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

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

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

Revenue from pachinko business for low playing cost halls increased by ¥4,850 million (equivalent to approximately HK\$254 million*), or 17.3%*, from ¥28,091 million (equivalent to approximately HK\$1,523 million) for the six months ended 30 September 2022 to ¥32,941 million (equivalent to approximately HK\$1,725 million) for the six months ended 30 September 2023. The revenue margin for the six months ended 30 September 2023 decreased by 0.4 percentage points* to 24.6% as compared with the same period of the previous year.

PACHINKO BUSINESS EXPENSES

Pachinko business expenses increased by ¥6,962 million (equivalent to approximately HK\$365 million*), or 13.3%*, from ¥52,246 million (equivalent to approximately HK\$2,833 million) for the six months ended 30 September 2022 to ¥59,208 million (equivalent to approximately HK\$3,099 million) for the six months ended 30 September 2023.

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

Our pachinko business expenses by hall type are as follows.

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

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

AIRCRAFT LEASING BUSINESS

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

REVENUE FROM AIRCRAFT LEASING BUSINESS

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

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

AIRCRAFT LEASING EXPENSES

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

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

OTHER INCOME

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

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

OTHER OPERATING EXPENSES

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

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

FINANCE INCOME

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

FINANCE EXPENSES

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2023

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

1. GENERAL INFORMATION

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

The interim condensed consolidated financial information of the Company as at 30 September 2023 consists of the Company and its subsidiaries (the “Group”). The Group has identified and disclosed two reportable segments, namely ‘Pachinko business’ and ‘Aircraft leasing business’. This interim condensed consolidated financial information is presented in millions of Japanese Yen (¥), unless otherwise stated.

The interim condensed consolidated financial information was approved and authorised for issuance by the Board of Directors on 27 November 2023.

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2023 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Significant accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2023 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2023 except for the following.

Adoption of new and revised International Financial Reporting Standards

The following new amendments to existing standards have been issued and effective for annual periods beginning on 1 April 2023 with no impact on the Group’s results of operations and financial positions:

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

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

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the Group from fiscal year ending	Summary of new standards and amendments
IAS 1 (Amendment)	Presentation of Financial Statements	1 January 2024	31 March 2025	Classification of Liabilities as Current or Non-current and Disclosure of information on non-current liabilities with covenants
IAS 7 (Amendment)	Cash flows	1 January 2024	31 March 2025	Disclosure of information on supplier finance arrangements
IFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2024	31 March 2025	Disclosure of information on supplier finance arrangements
IFRS 16 (Amendment)	Leases	1 January 2024	31 March 2025	Clarification of subsequent measurement requirements for sale and leaseback transactions
IFRS 10 (Amendment)	Consolidated Financial Statements	To be determined	To be determined	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 28 (Amendment)	Investments in Associates and Joint Ventures	To be determined	To be determined	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions which have significant impact on that interim condensed consolidated financial information are the same as that of the consolidated financial information for the year ended 31 March 2023, with the exception that income taxes in the interim periods are calculated based upon the tax rate that would be applicable to estimated annual earnings.

4. REVENUE

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

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

5. SEGMENT INFORMATION

(a) Segment information

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

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

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

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

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

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

	Six months ended 30 September 2023				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	62,187	2,188	64,375	–	64,375
Other segment items					
Depreciation and amortisation expenses	(26,427)	(1,068)	(27,495)	(31)	(27,526)
Impairment loss	(326)	–	(326)	–	(326)
Finance income	84	117	201	218	419
Finance expenses	(1,260)	(635)	(1,895)	(0)	(1,895)
Segment profit	2,707	606	3,313	–	3,313
Corporate expenses					(389)
Profit before income taxes					2,924
Income taxes					(1,050)
Net profit for the period					1,874
Addition to non-current assets other than financial instruments and deferred tax assets	<u>38,430</u>	<u>26,513</u>	<u>64,943</u>	<u>7</u>	<u>64,950</u>
	Six months ended 30 September 2022				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	55,150	1,045	56,195	–	56,195
Other segment items					
Depreciation and amortisation expenses	(20,392)	(509)	(20,901)	(26)	(20,927)
Impairment loss	(977)	–	(977)	–	(977)
Finance income	89	19	108	65	173
Finance expenses	(1,112)	(230)	(1,342)	(394)	(1,736)
Segment profit	3,102	169	3,271	–	3,271
Corporate expenses					(953)
Profit before income taxes					2,318
Income taxes					(1,135)
Net profit for the period					1,183
Addition to non-current assets other than financial instruments and deferred tax assets	<u>22,682</u>	<u>7,964</u>	<u>30,646</u>	<u>5</u>	<u>30,651</u>

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

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

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

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

(b) Geographical information

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

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

	Six months ended 30 September 2023		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	62,187	2,188	64,375

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

	Six months ended 30 September 2022		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	<u>55,150</u>	<u>1,045</u>	<u>56,195</u>
	At 31 March 2023		
	Japan ¥ million (audited)	Europe ¥ million (audited)	Total ¥ million (audited)
Segment non-current assets other than financial instruments and deferred tax assets	<u>190,278</u>	<u>41,626</u>	<u>231,904</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	
	2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Advertising expenses	1,474	1,382
Cleaning and ancillary services	1,266	1,123
Depreciation expenses	21,779	15,749
Hall staff costs	18,857	19,066
Pachinko and pachislot machine expenses	1,664	1,885
Depreciation expenses of right-of-use assets	4,496	4,484
Rental expenses	2	27
Repair and maintenance expenses	1,888	1,201
Utilities expenses	3,936	3,616
Others	3,846	3,713
	<u>59,208</u>	<u>52,246</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	
	2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Depreciation expenses	970	438
Amortisation expenses	98	71
Others	254	160
	1,322	669
	1,322	669

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 as follows:

	Six months ended 30 September	
	2023 ¥ million (unaudited)	2022 ¥ million (unaudited)
Current taxes	1,272	537
Deferred taxes	(222)	598
	1,050	1,135
	1,050	1,135

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

10. TRADE AND OTHER PAYABLES

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

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

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

11. DIVIDENDS

During the six months ended 30 September 2023 and 2022, the Company made the following distributions.

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

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

12. EARNINGS PER SHARE

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

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

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

13. BUSINESS COMBINATION

a. The overview of the absorption type company split

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

b. The purpose of the absorption type company split

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

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

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

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

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

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

d. Impact on the consolidated profit or loss

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

e. Pro forma information

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code Provision C.2.1

Code provision C.2.1 provides that the roles of chairman and chief executive should be performed by different individuals. During the Reporting Period, Mr. Makoto SAKAMOTO served concurrently in both roles until 23 June 2023 and Mr. Akira HOSAKA thereafter.

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

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

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

AUDIT COMMITTEE’S REVIEW OF FINANCIAL STATEMENTS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the Reporting Period, save as disclosed herein, the changes to the information relating to the Directors which are required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules are as set out below:

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

INTERIM DIVIDENDS

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

In the case when the dividends are distributed to the Shareholders in Hong Kong dollars, the exchange rate for the conversion of Japanese yen to Hong Kong dollar are based on the average currency rates prevailing five business days immediately before 27 November 2023.

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

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

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

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

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

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 2023 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, 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
“high playing cost” 高貸玉	playing cost of 4 yen per pachinko ball and 20 yen per pachislot token
“low playing cost” 低貸玉	playing cost of less than 4 yen per pachinko ball and less than 20 yen per pachislot token
“Reporting Period” 報告対象期間	the period from 1 April 2023 to 30 September 2023
“Yume Corporation” 夢コーポレーション	Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company

By order of the Board
DYNAM JAPAN HOLDINGS Co., Ltd.
Akira HOSAKA
Chairman of the Board

Tokyo, Japan, 27 November 2023

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