

DYJH

Interim Report 2024/2025



DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

Stock Code: 06889

* For identification purpose only



DYNAM JAPAN HOLDINGS Co., Ltd.

Interim Report 2024/2025



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Corporate **Philosophy**

A CENTURIAL COMMITMENT TO BUILDING TRUST AND ENCOURAGING DREAMS

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

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

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

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

FIVE MANAGEMENT POLICIES

1

Principle of Customers First

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

2

Information Disclosure

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

3

Chain Store Management

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

4

Training of Human Resources

The Group trains human resources and uses their collective energy.

5

Social Contribution

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

THREE PRINCIPLES OF ACTIONS

1

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

2

The Group takes decisive actions and values team work.

3

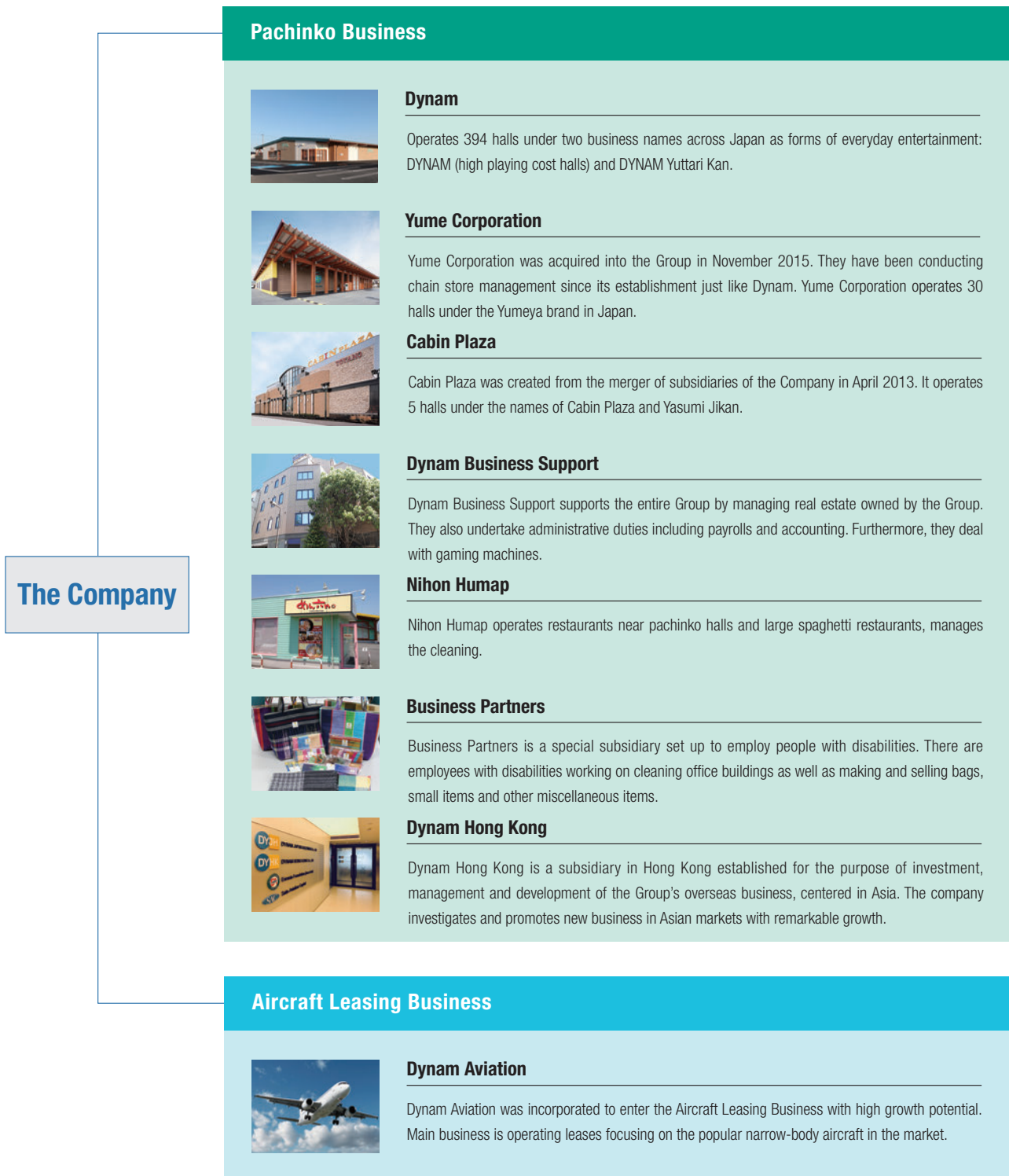
The Group confirms the actual situation on site, and presents it using numerical expressions.

Corporate Information

OUR GROUP ORGANISATION

As at 30 September 2024

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



Corporate Information

MEMBERS OF THE BOARD AND COMMITTEES

As at 30 September 2024

MEMBERS OF THE BOARD

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

COMMITTEES

Audit Committee	Kiyohito KANDA (<i>Chairman</i>) Thomas Chun Kee YIP Koji KATO
Remuneration Committee	Mitsutoshi KATO (<i>Chairman</i>) Akira HOSAKA Mayumi ITO
Nomination Committee	Mitsutoshi KATO (<i>Chairman</i>) Akira HOSAKA Mayumi ITO

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

Corporate Information

PACHINKO BUSINESS

PACHINKO HALL OPERATION AS OUR CORE BUSINESS

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

The Group operates the industry's largest pachinko hall network with 429 halls as at the end of September 2024.

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 multiple reels — spinning bodies on which images are displayed. Once the reels stop, the player can earn more tokens if the winning images on the reels 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.



Prize display area

AIRCRAFT LEASING BUSINESS

NEW BUSINESS FOR SUSTAINABLE GROWTH

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

Dynam Aviation



Katsuhiko ANDO, CEO

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

Financial Highlights

	Six months ended 30 September			
	2024 (unaudited)		2023 (unaudited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Gross pay-ins	276,861	15,062	278,822	14,598
Less: gross payouts	(216,684)	(11,788)	(216,635)	(11,342)
Revenue from pachinko business	60,177	3,274	62,187	3,256
Revenue from aircraft leasing business	3,576	195	2,188	115
Revenue	63,753	3,469	64,375	3,371
Pachinko business expenses	(57,696)	(3,138)	(59,208)	(3,099)
Aircraft leasing expenses	(2,042)	(111)	(1,322)	(69)
General and administrative expenses	(1,923)	(105)	(2,144)	(112)
Other income	5,038	274	3,963	207
Other operating expenses	(1,086)	(60)	(1,264)	(67)
Operating profit	6,044	329	4,400	231
Finance income	200	11	419	22
Finance expenses	(2,668)	(145)	(1,895)	(100)
Profit before income taxes	3,576	195	2,924	153
Income taxes	(1,386)	(76)	(1,050)	(55)
Net profit for the period	2,190	119	1,874	98
Attributable to:				
Owners of the Company	2,190	119	1,873	98
Non-controlling interests	0	0	1	0
	2,190	119	1,874	98
Earnings per share				
Basic	¥3.1	HK\$0.2	¥2.6	HK\$0.1
Diluted	¥3.1	HK\$0.2	¥2.6	HK\$0.1
EBITDA ^(*)	34,037	1,852	32,278	1,690

* EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation and net foreign exchange gain or loss. Regarding EBITDA above, depreciation for right-of-use assets has been included in its calculation since this fiscal year. In addition, EBITDA for the prior fiscal year above has also been revised accordingly.

	30 September 2024 (unaudited)		31 March 2024 (audited)	
	(in millions)			
	¥	HK\$	¥	HK\$
Non-current assets	303,003	16,486	305,067	15,774
Current assets	50,092	2,725	60,978	3,153
Current liabilities	52,568	2,861	60,311	3,118
Net current (liabilities)/assets	(2,476)	(136)	667	35
Total assets less current liabilities	300,527	16,350	305,734	15,809
Non-current liabilities	172,239	9,370	174,246	9,010
Total equity	128,288	6,980	131,488	6,799

CURRENCY TRANSLATIONS

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

1. ¥18.38 to HK\$1.00, the exchange rate prevailing on 30 September 2024 (i.e. the last business day in Japan in September 2024).
2. ¥19.10 to HK\$1.00, the exchange rate prevailing on 29 September 2023 (i.e. the last business day in Japan in September 2023).
3. ¥19.34 to HK\$1.00, the exchange rate prevailing on 29 March 2024 (i.e. the last business day in Japan in March 2024).

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 2024, the economy in Japan was on its gentle recovery path thanks to a rise in inbound demand and a tendency to improve employment and household income situation. On the other hand, the future outlook remained uncertain due to the risk related to a downside swing of overseas economies, fluctuations of foreign currency exchange markets, skyrocketing prices of raw materials and energy and so on.

As for the pachinko industry during the six months ended 30 September 2024, its polarisation was deepening through its restructuring mainly due to M&A while the number of customers decreased due to diversification of leisure, etc. and suspensions and closures of pachinko halls continued. The pachislot market stayed firm as a growth in the number of customers especially in younger generations was seen mainly driven by arrivals of smart pachislot machines. On the other hand, the pachinko market was highly expected to recover as the installation of pachinko machines equipped with a function named "Lucky Trigger" offering new game performance began in addition to the installation of smart pachinko machines.

Regarding the performance of the Group's pachinko business during the six months ended 30 September 2024, though the Group made progress in switching from pachinko to pachislot at part of halls against a backdrop of its robust utilisation rate of smart pachislot machines, the Group posted revenue decline compared with the same period of the previous year mainly driven by its lagging progress in investment of smart pachinko machines into the market in relation to pachinko machines accounting for over 60% of all pachinko and pachislot machines installed at its halls.

As for its profit during the six months ended 30 September 2024, the Group posted profit growth compared with the same period of the previous year as a result of having saved operating expenses by making efforts to reduce utility expenses, advertising expenses and so forth in addition to a decrease in repair and maintenance expenses and depreciation expenses from pachinko and pachislot machines.

The Group will continue to make efforts to improve its structure for pursuing its profitability whilst progressing its installation rate of smart pachinko and pachislot machines and working on its hall remodeling and so on.

► 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 enables 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 2024 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
1 December 2023	Two pachinko halls acquired from another operator through absorption type company split

Low-cost operations

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

▶ Using second-hand gaming machines and establishing distribution centers

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

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

▶ Use of ICT systems

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

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

Business Overview

AIRCRAFT LEASING BUSINESS

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

BUSINESS ENVIRONMENT

According to the International Air Transport Association (IATA), the number of global air passengers in 2024 is expected to reach 5 billion, a record high. World air transport demand is higher than ever before after the COVID-19 crisis. Passenger traffic is forecasted to grow annually by 4.7% according to Boeing and 3.6% according to Airbus for the next 20 years. Within that timeframe, the global newly-delivered-fleet will have reached 43,975 aircraft (of which 33,380 aircraft are narrow body) according to Boeing and 42,430 aircraft (of which 33,510 aircraft are narrow body) according to Airbus, with demand for aircraft expected to increase in line with the growth in air travel demand.

LEASE MANAGEMENT STRUCTURE WITH PROFESSIONAL TEAM

The aircraft leasing team of Dynam Aviation consists of experienced professionals and is building solid relationships with a diverse range of airlines and financial institutions worldwide. Additionally, it acquires aircraft from airlines or leasing companies and has established a system that consistently provides commercial and technical services for the sourcing, management, and remarketing of aircraft leasing. The team is also engaged in the servicer business, which supports third-party leasing with globally standardised service frameworks and fee structures.

HIGHLIGHT

During the reporting period, there were no acquisitions, sales and disposals of aircraft.

As at 30 September 2024, Dynam Aviation has 10 owned aircraft, 7 managed aircraft, and no committed aircraft. The operating assets of owned aircraft amount to ¥75,259 million, with an average age of 2.4 years and an average remaining lease period of 5.7 years. All owned aircraft are narrow-body Airbus A320 series with 90% equipped with next-generation aircraft engines, and the yield of the operating lease is 7.9% maintaining a high-quality portfolio.

Aircraft type	Owned aircraft	Managed aircraft	Committed aircraft	Total
Airbus A320 series	10	6	0	16
Boeing 737 series	0	1	0	1



Operating assets
¥75,259 million



Average age of aircraft
2.4 years



Average remaining lease period
5.7 years



Narrow body aircraft ratio
100%



Next-generation aircraft ratio
90%



Yield
7.9%

Financial Review

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

	Six months ended 30 September				
	2024		2023		changes ⁽³⁾
	(unaudited)		(unaudited)		
	(in millions, except for percentages)				
¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾		
Gross pay-ins					
— High playing cost halls	146,376	7,963	145,059	7,595	0.9%
— Low playing cost halls	130,485	7,099	133,763	7,003	-2.5%
Total gross pay-ins	276,861	15,062	278,822	14,598	-0.7%
Gross payouts					
— High playing cost halls	118,559	6,450	115,813	6,064	2.4%
— Low playing cost halls	98,125	5,338	100,822	5,278	-2.7%
Total gross payouts	216,684	11,788	216,635	11,342	0.0%
Revenue from pachinko business					
— High playing cost halls	27,817	1,513	29,246	1,531	-4.9%
— Low playing cost halls	32,360	1,761	32,941	1,725	-1.8%
Total revenue from pachinko business	60,177	3,274	62,187	3,256	-3.2%
Revenue from aircraft leasing business	3,576	195	2,188	115	63.4%
Total revenue	63,753	3,469	64,375	3,371	-1.0%

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥18.38 to HK\$1.00, the exchange rate prevailing on 30 September 2024 (i.e. the last business day in Japan in September 2024).

⁽²⁾ 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 Japan in September 2023).

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

Financial Review

FINANCIAL REVIEW

The consolidated financial results of the Group for the six months ended 30 September 2024 were as follows;

Consolidated revenue of the pachinko business and the aircraft leasing business was ¥63,753 million (equivalent to approximately HK\$3,469 million), 99.0% of the same period of the previous year. Consolidated operating profit was ¥6,044 million (equivalent to approximately HK\$329 million), 137.4% of the same period of the previous year. Consolidated net profit for the period was ¥2,190 million (equivalent to approximately HK\$119 million), 116.9% of the same period of the previous year. Consolidated revenue for the six months ended 30 September 2024 decreased from the same period of the previous year while net profit for the six months ended 30 September 2024 increased from the same period of the previous year.

Set out below is detailed performance of pachinko business and aircraft leasing business for the six months ended 30 September 2024.

PACHINKO BUSINESS

Set out below is detailed performance of gross pay-ins, gross pay-outs, and revenue for the six months ended 30 September 2024.

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 ¥278,822 million (equivalent to approximately HK\$14,598 million) and ¥276,861 million (equivalent to approximately HK\$15,062 million) for the six months ended 30 September 2023 and 2024 respectively.

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

Gross pay-ins for high playing cost halls increased by ¥1,317 million (equivalent to approximately HK\$72 million*), or 0.9%*, from ¥145,059 million (equivalent to approximately HK\$7,595 million) for the six months ended 30 September 2023 to ¥146,376 million (equivalent to approximately HK\$7,963 million) for the six months ended 30 September 2024.

Gross pay-ins for low playing cost halls decreased by ¥3,278 million (equivalent to approximately HK\$178 million*), or 2.5%*, from ¥133,763 million (equivalent to approximately HK\$7,003 million) for the six months ended 30 September 2023 to ¥130,485 million (equivalent to approximately HK\$7,099 million) for the six months ended 30 September 2024.

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 ¥216,635 million (equivalent to approximately HK\$11,342 million) and ¥216,684 million (equivalent to approximately HK\$11,788 million) for the six months ended 30 September 2023 and 2024 respectively.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls increased by ¥2,746 million (equivalent to approximately HK\$149 million*), or 2.4%*, from ¥115,813 million (equivalent to approximately HK\$6,064 million) for the six months ended 30 September 2023 to ¥118,559 million (equivalent to approximately HK\$6,450 million) for the six months ended 30 September 2024.

Gross payouts for low playing cost halls decreased by ¥2,697 million (equivalent to approximately HK\$147 million*), or 2.7%*, from ¥100,822 million (equivalent to approximately HK\$5,278 million) for the six months ended 30 September 2023 to ¥98,125 million (equivalent to approximately HK\$5,338 million) for the six months ended 30 September 2024.

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 decreased by ¥2,010 million (equivalent to approximately HK\$108 million*), or 3.2%*, from ¥62,187 million (equivalent to approximately HK\$3,256 million) for the six months ended 30 September 2023 to ¥60,177 million (equivalent to approximately HK\$3,274 million) for the six months ended 30 September 2024.

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

Revenue from pachinko business for high playing cost halls decreased by ¥1,429 million (equivalent to approximately HK\$77 million*), or 4.9%*, from ¥29,246 million (equivalent to approximately HK\$1,531 million) for the six months ended 30 September 2023 to ¥27,817 million (equivalent to approximately HK\$1,513 million) for the six months ended 30 September 2024. The revenue margin for the six months ended 30 September 2024 decreased by 1.2 percentage points* to 19.0% as compared with the same period of the previous year.

Revenue from pachinko business for low playing cost halls decreased by ¥581 million (equivalent to approximately HK\$31 million*), or 1.8%*, from ¥32,941 million (equivalent to approximately HK\$1,725 million) for the six months ended 30 September 2023 to ¥32,360 million (equivalent to approximately HK\$1,761 million) for the six months ended 30 September 2024. The revenue margin for the six months ended 30 September 2024 increased by 0.2 percentage points* to 24.8% as compared with the same period of the previous year.

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

Financial Review

PACHINKO BUSINESS EXPENSES

Pachinko business expenses decreased by ¥1,512 million (equivalent to approximately HK\$82 million*), or 2.6%*, from ¥59,208 million (equivalent to approximately HK\$3,099 million) for the six months ended 30 September 2023 to ¥57,696 million (equivalent to approximately HK\$3,138 million) for the six months ended 30 September 2024.

Our pachinko business expenses by hall type are as follows.

Pachinko business expenses for high playing cost halls decreased by ¥164 million (equivalent to approximately HK\$9 million*), or 0.6%*, from ¥27,146 million (equivalent to approximately HK\$1,421 million) for the six months ended 30 September 2023 to ¥26,982 million (equivalent to approximately HK\$1,467 million) for the six months ended 30 September 2024.

Pachinko business expenses for low playing cost halls decreased by ¥1,348 million (equivalent to approximately HK\$73 million*), or 4.2%*, from ¥32,062 million (equivalent to approximately HK\$1,678 million) for the six months ended 30 September 2023 to ¥30,714 million (equivalent to approximately HK\$1,671 million) for the six months ended 30 September 2024.

AIRCRAFT LEASING BUSINESS

Set out below is detailed performance of revenue from aircraft leasing business and aircraft leasing expenses for the six months ended 30 September 2024.

REVENUE FROM AIRCRAFT LEASING BUSINESS

Revenue from aircraft leasing business increased by ¥1,388 million (equivalent to approximately HK\$75 million*), or 63.4%*, from ¥2,188 million (equivalent to approximately HK\$115 million) for the six months ended 30 September 2023 to ¥3,576 million (equivalent to approximately HK\$195 million) for the six months ended 30 September 2024.

The increase was primarily due to an increase in the number of aircraft managed and leased compared with the same period of the previous year.

AIRCRAFT LEASING EXPENSES

Aircraft leasing expenses increased by ¥720 million (equivalent to approximately HK\$39 million*), or 54.5%*, from ¥1,322 million (equivalent to approximately HK\$69 million) for the six months ended 30 September 2023 to ¥2,042 million (equivalent to approximately HK\$111 million) for the six months ended 30 September 2024.

The increase was primarily due to an increase in the number of aircraft managed and leased compared with the same period of the previous year.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥221 million (equivalent to approximately HK\$12 million*), or 10.3%*, from ¥2,144 million (equivalent to approximately HK\$112 million) for the six months ended 30 September 2023 to ¥1,923 million (equivalent to approximately HK\$105 million) for the six months ended 30 September 2024.

OTHER INCOME

Other income increased by ¥1,075 million (equivalent to approximately HK\$58 million*), or 27.1%*, from ¥3,963 million (equivalent to approximately HK\$207 million) for the six months ended 30 September 2023 to ¥5,038 million (equivalent to approximately HK\$274 million) for the six months ended 30 September 2024.

The increase was mainly due to insurance income and an increase in income from forfeiture of unutilised balls and tokens.

OTHER OPERATING EXPENSES

Other operating expenses decreased by ¥178 million (equivalent to approximately HK\$10 million*), or 14.1%*, from ¥1,264 million (equivalent to approximately HK\$67 million) for the six months ended 30 September 2023 to ¥1,086 million (equivalent to approximately HK\$60 million) for the six months ended 30 September 2024.

The decrease was primarily due to a decrease in disposal cost of non-financial assets.

FINANCE INCOME

Finance income decreased by ¥219 million (equivalent to approximately HK\$12 million*), or 52.3%*, from ¥419 million (equivalent to approximately HK\$22 million) for the six months ended 30 September 2023 to ¥200 million (equivalent to approximately HK\$11 million) for the six months ended 30 September 2024.

FINANCE EXPENSES

Finance expenses increased by ¥773 million (equivalent to approximately HK\$42 million*), or 40.8%*, from ¥1,895 million (equivalent to approximately HK\$100 million) for the six months ended 30 September 2023 to ¥2,668 million (equivalent to approximately HK\$145 million) for the six months ended 30 September 2024.

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

Financial Review

CASH FLOW

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

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

	Six months ended 30 September			
	2024		2023	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Net cash generated from operating activities	24,335	1,325	32,659	1,708
Net cash used in investing activities	(22,355)	(1,217)	(52,775)	(2,764)
Net cash (used in)/generated from financing activities	(12,940)	(704)	4,252	224
Effects of exchange rate changes on cash and cash equivalents	(233)	(13)	349	19
Net decrease in cash and cash equivalents	(11,193)	(609)	(15,515)	(813)
Cash and cash equivalents at the beginning of period	50,109	2,726	59,605	3,121
Cash and cash equivalents at the end of period	38,916	2,117	44,090	2,308

Net cash generated from operating activities

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

	Six months ended 30 September			
	2024		2023	
	(unaudited)		(unaudited)	
	(in millions)			
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Operating profit before working capital changes	34,386	1,872	32,747	1,713
Change in working capital	(6,476)	(353)	1,538	80
Cash generated from operations	27,910	1,519	34,285	1,793
Income taxes paid	(1,257)	(68)	(39)	(2)
Finance expenses paid	(2,318)	(126)	(1,587)	(83)
Net cash generated from operating activities	24,335	1,325	32,659	1,708

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥18.38 to HK\$1.00, the exchange rate prevailing on 30 September 2024 (i.e. the last business day in Japan in September 2024).

⁽²⁾ 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 Japan in September 2023).

Our net cash generated from operating activities was ¥24,335 million (equivalent to approximately HK\$1,325 million) for the six months ended 30 September 2024.

The reason for our net cash generated from operating activities was primarily due to adjustments for depreciation.

Net cash used in investing activities

Our cash used in investing activities primarily consists of capital expenditures for property, plant and equipment, including pachinko and pachislot machines, aircraft, freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles and construction in progress. Net cash used in investing activities was ¥22,355 million (equivalent to approximately HK\$1,217 million) for the six months ended 30 September 2024. The cash outflow for the six months ended 30 September 2024 was primarily due to the purchase of property, plant, and equipment.

Net cash used in financing activities

Our cash used in financing activities primarily consists of repayment of bank loans.

Net cash used in financing activities was ¥12,940 million (equivalent to approximately HK\$704 million) for the six months ended 30 September 2024.

The net cash used in financing activities for the six months ended 30 September 2024 was primarily due to cash outflow by repayment of bank loans in the amount of ¥15,143 million (equivalent to approximately HK\$824 million), repayment of lease payables in the amount of ¥4,840 million (equivalent to approximately HK\$263 million) and dividend payment in the amount of ¥1,741 million (equivalent to approximately HK\$95 million), while cash inflow by raising of bank loans in the amount of ¥8,784 million (equivalent to approximately HK\$478 million).

Financial Review

LIQUIDITY

Net current assets and working capital sufficiency

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

	30 September 2024 (unaudited)		31 March 2024 (audited)	
	¥	(in millions) HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾
Current assets				
Inventories	3,182	173	2,787	144
Trade receivables	438	24	457	24
Lease receivables	1,879	102	1,863	96
Prizes in operation of pachinko halls	3,484	190	2,878	149
Income taxes receivables	0	0	409	21
Other current assets	2,193	119	2,475	128
Cash and cash equivalents	38,916	2,117	50,109	2,591
	50,092	2,725	60,978	3,153
Current liabilities				
Trade and other payables	11,673	635	14,904	770
Borrowings	17,823	970	21,083	1,090
Lease payables	10,462	569	10,572	547
Provisions	1,480	81	1,523	79
Income taxes payables	1,216	66	1,480	77
Other current liabilities	9,914	540	10,749	555
	52,568	2,861	60,311	3,118
Net current (liabilities)/assets	(2,476)	(136)	667	35

⁽¹⁾ Translated into Hong Kong dollars at the rate of ¥18.38 to HK\$1.00, the exchange rate prevailing on 30 September 2024 (i.e. the last business day in Japan in September 2024).

⁽²⁾ Translated into Hong Kong dollars at the rate of ¥19.34 to HK\$1.00, the exchange rate prevailing on 29 March 2024 (i.e. the last business day in Japan in March 2024).

As at 31 March 2024 and 30 September 2024, our net current assets/(liabilities) totaled ¥667 million (equivalent to approximately HK\$35 million) and ¥(2,476) million (equivalent to approximately HK\$(136) million), respectively, and our current ratio was 1.0 and 1.0 respectively.

CAPITAL EXPENDITURE

Pachinko business

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

During the six months ended 30 September 2024, the Group acquired new pachinko and pachislot machines of ¥15,546 million (equivalent to approximately HK\$846 million) (2023: ¥18,334 million, equivalent to approximately HK\$960 million).

Aircraft leasing business

During the six months ended 30 September 2024, the Group acquired no aircraft (2023: ¥25,823 million, equivalent to approximately HK\$1,352 million).

As a result, during the six months ended 30 September 2024, the Group acquired property, plant and equipment of ¥23,997 million (equivalent to approximately HK\$1,306 million) (2023: ¥50,220 million, equivalent to approximately HK\$2,629 million).

CONTINGENT LIABILITIES

As at 30 September 2024, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The information on capital commitments is provided in Note 14 to the interim condensed consolidated financial information on page 51 of this Interim Report.

ACQUISITION AND DISPOSAL

For the six months ended 30 September 2024, there was no material acquisition and disposal of any of our subsidiaries.

SIGNIFICANT INVESTMENTS

Pachinko Business

Save for the capital expenditure of pachinko business, set out in **CAPITAL EXPENDITURE** in the paragraph above, we did not have any significant investments during the six months ended 30 September 2024.

Aircraft Leasing Business

Save for the capital expenditure of aircraft leasing business, set out in **CAPITAL EXPENDITURE** in the paragraph above, we did not have any significant investments during the six months ended 30 September 2024.

Financial Review

EMPLOYEES

As at 30 September 2024, we had approximately 12,527 employees (31 March 2024: 12,492). We will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution and housing fund schemes.

CAPITAL STRUCTURE

Principal sources of funds

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

Indebtedness

Our short-term and long-term borrowings outstanding as at 30 September 2024 were ¥17,823 million (equivalent to approximately HK\$970 million) and ¥74,577 million (equivalent to approximately HK\$4,058 million), respectively.

These borrowings of the Group include short-term borrowings of ¥4,156 million (equivalent to approximately HK\$226 million) and long-term borrowings of ¥40,612 million (equivalent to approximately HK\$2,210 million) related to the aircraft leasing business.

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

Loan facilities

As at 30 September 2024, the Group had a total amount of approximately ¥36,000 million (equivalent to approximately HK\$1,959 million) of banking facilities and an installment facility available to us, of which approximately ¥29,202 million (equivalent to approximately HK\$1,589 million) was unutilised.

The overview of our loan facilities is as follows.

The Group has been continuing the commitment line contract with banks and syndicate of lenders with regard to the one responsive to earthquake disaster. The previous commitment line contract has remained a slight concern in the fund-raising due to effectuation of immunity reason for financial institutions at the time of large scale earthquake disaster. The Group has signed the new commitment line contract responsive to earthquake disaster to resolve the above concern, which has enabled the Group to secure the fund promptly even in the case of earthquake disaster.

This commitment line provides a revolving loan facility in the amount of up to ¥15,000 million (equivalent to approximately HK\$816 million). The commitment of the lenders to provide loans under the revolving loan facility is available from 30 December 2014, the execution date of the original loan agreement, to 31 March 2027.

On 31 August 2020, the Group entered into a contract with a Bank in the amount of ¥3,000 million (equivalent to approximately HK\$163 million). On 30 August 2024, the amount available was increased up to ¥5,000 million (equivalent to approximately HK\$272 million) by the renewal of the contract, which is available to 29 August 2025.

On 30 September 2020, the Group also entered into an installment facility contract with a syndicate of 4 leasing companies in the amount of up to ¥15,000 million (equivalent to approximately HK\$816 million) for the purpose of procurement of pachinko and pachislot machines. It is available to 30 September 2025.

FINANCIAL RISK MANAGEMENT

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

Market risk

Foreign currency risk

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

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

Price risk

Equity instruments consisting mainly of listed equity securities the Group holds are measured at fair value at the end of each reporting period and are exposed to equity security price risk. The Group periodically reviews the fair values of these securities as well as the financial condition of investees.

Interest rate risk

The Group's exposure to interest-rate risk arises mainly from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates changing with the prevailing market condition.

Credit risk

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

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

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

Liquidity risk

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

Other Information

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

As at the end of the Reporting Period, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")), which should be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or was required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, are as follows:

(i) Interests in the Company

Name	Nature of Interest/Capacity	Number of Shares ⁽¹⁾	Approximate Percentage of Interests in the Company ⁽²⁾
Mr. Yoji SATO	Interest of controlled corporations ⁽³⁾	283,332,560	
	Interest of spouse ⁽³⁾	760	
	Other ⁽⁴⁾	127,618,616	
		410,951,936	59.007%
Mr. Kohei SATO	Beneficial owner	51,639,680	
	Interest of spouse ⁽⁵⁾	3,500,000	
	Other ⁽⁴⁾	355,812,256	
		410,951,936	59.007%
Mr. Akira HOSAKA	Beneficial owner	78,121	0.011%

Notes:

- (1) All interests stated are long positions.
- (2) There were 696,443,096 Shares in issue as at the end of the Reporting Period.
- (3) Out of the total 283,332,560 Shares, SAC, which is wholly-owned and controlled by Mr. Yoji SATO, is beneficially interested in 187,522,560 Shares. Rich-O is beneficially interested in remaining 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by Eurasia Foundation (from Asia) Limited which is also wholly-owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.
- (4) Each of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), and Mr. Kohei SATO (brother of Mr. Yoji SATO) (collectively, the "Sato Family Members") is a party acting in concert with Mr. Yoji SATO, SAC and Rich-O and each other to obtain or consolidate the holding of 30% or more of the Company, and is therefore deemed to be interested in the Shares in which Mr. Yoji SATO or any other Sato Family Member is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which any Sato Family Member is interested.
- (5) Mrs. Shizuka SATO, Mr. Kohei SATO's wife, is beneficially interested in 3,500,000 Shares, and such interests are deemed to be Mr. Kohei SATO's interests under the SFO.

(ii) *Interests in the associated corporation*

None of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of any associated corporation of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at the end of the Reporting Period, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required, pursuant to the section 352 of the SFO, to be recorded in the register of the Company or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

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

Name	Nature of Interest/Capacity	Number of Shares ⁽¹⁾	Approximate Percentage of Interests in the Company ⁽²⁾
SAC	Beneficial owner ⁽³⁾	187,522,560	
	Interest of controlled corporation ⁽³⁾	95,810,000	
		283,332,560	40.683%
Rich-O	Beneficial owner ⁽³⁾	95,810,000	13.757%
Eurasia Foundation (from Asia)	Beneficial owner	80,000,000	11.487%
Mrs. Keiko SATO	Beneficial owner	760	
	Interest of spouse ⁽⁴⁾	283,332,560	
	Other ⁽⁶⁾	127,618,616	
		410,951,936	59.007%
Mr. Masahiro SATO	Beneficial owner	19,579,576	
	Interest of controlled corporation ⁽⁵⁾	14,580,104	
	Other ⁽⁶⁾	376,792,256	
		410,951,936	59.007%
Mr. Shigehiro SATO	Beneficial owner	20,939,680	
	Other ⁽⁶⁾	390,012,256	
		410,951,936	59.007%
Mrs. Yaeko NISHIWAKI	Beneficial owner	17,379,576	
	Other ⁽⁶⁾	393,572,360	
		410,951,936	59.007%
Mrs. Shizuka SATO	Beneficial owner	3,500,000	
	Interest of spouse ⁽⁷⁾	51,639,680	
		55,139,680	7.917%

Notes:

- (1) All interests stated are long positions.
- (2) There were 696,443,096 Shares in issue as at the end of the Reporting Period.
- (3) See Note (3) on page 25 of this interim report.
- (4) Mr. Yoji SATO is Mrs. Keiko SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.
- (5) LAPULE, Ltd., which is wholly-owned and controlled by Mr. Masahiro SATO, is beneficially interested in 14,580,104 Shares and such interests are deemed to be Mr. Masahiro SATO's interests under the SFO.
- (6) See Note (4) on page 25 of this interim report.
- (7) Mr. Kohei SATO is Mrs. Shizuka SATO's husband and therefore, pursuant to the SFO, she is deemed to be interested in the Shares held by him.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code as set out in Appendix C1 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. Akira HOSAKA served concurrently in both roles.

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

Other Information

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

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

AUDIT COMMITTEE’S REVIEW OF FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by PricewaterhouseCoopers Japan 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 change in the information relating to the Directors which is required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules is as follows:

- (1) As disclosed in the announcement of the Company dated 25 June 2024, on 25 June 2024 Mr. Makoto SAKAMOTO retired as a non-executive Director.

INTERIM DIVIDENDS

The Board declared an interim dividend of ¥2.5 per ordinary Share in respect of the Reporting Period, payable on 10 January 2025 to the Shareholders whose names appear on the Company’s share register as at the close of business on 12 December 2024. Based on the assumption that 696,443,096 Shares shall be in issue as at 12 December 2024, it is expected that the interim dividend payable will amount to approximately ¥1,741 million (equivalent to approximately HK\$95 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 25 November 2024.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury Shares (as defined under the Listing Rules), if any) during the Reporting Period.

The Company cancelled 2,300,000 Shares which were repurchased but not cancelled in the previous financial year on 30 April 2024. The number of issued Shares as at 30 September 2024 was 696,443,096.

On behalf of the Board

Akira HOSAKA

Chairman of the Board

25 November 2024

Report on Review of the Interim Condensed Consolidated Financial **Information**



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

(incorporated in Japan with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 59, which comprises the interim condensed consolidated statement of financial position of Dynam Japan Holdings Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2024 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers Japan LLC

Certified Public Accountants

Tokyo, Japan

25 November 2024

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Interim Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Note	Six months ended 30 September	
		2024 ¥ million (unaudited)	2023 ¥ million (unaudited)
Revenue	4	63,753	64,375
Revenue from pachinko business		60,177	62,187
Revenue from aircraft leasing business		3,576	2,188
Pachinko business expenses	6	(57,696)	(59,208)
Aircraft leasing expenses	7	(2,042)	(1,322)
General and administrative expenses		(1,923)	(2,144)
Other income	8	5,038	3,963
Other operating expenses	9	(1,086)	(1,264)
Operating profit		6,044	4,400
Finance income	10	200	419
Finance expenses	11	(2,668)	(1,895)
Profit before income taxes		3,576	2,924
Income taxes	12	(1,386)	(1,050)
Net profit for the period		2,190	1,874
Attributable to:			
Owners of the Company		2,190	1,873
Non-controlling interests		0	1
		2,190	1,874
Earnings per share			
Basic (¥)	19	3.1	2.6
Diluted (¥)	19	3.1	2.6

Interim Condensed Consolidated Statement of **Comprehensive Income**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Note	Six months ended 30 September	
		2024	2023
		¥ million	¥ million
		(unaudited)	(unaudited)
Net profit for the period		2,190	1,874
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation surplus for properties		43	—
— Income tax effect arising from revaluation surplus for properties		(24)	—
Changes in fair value of financial assets measured at fair value through other comprehensive income		116	(735)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		10	(64)
		145	(799)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(2,879)	4,761
Cash flow hedge		(1,063)	748
— Income tax effect of changes in cash flow hedge		148	(101)
		(3,794)	5,408
Other comprehensive income for the period, net of tax		(3,649)	4,609
Total comprehensive income for the period		(1,459)	6,483
Attributable to:			
Owners of the Company		(1,459)	6,482
Non-controlling interests		0	1
		(1,459)	6,483

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2024

	Note	At 30 September 2024 ¥ million (unaudited)	At 31 March 2024 ¥ million (audited)
Non-current assets			
Property, plant and equipment	13	179,108	183,361
Right-of-use assets		85,929	84,129
Investment properties		4,963	4,971
Intangible assets		7,373	7,001
Financial assets measured at fair value through other comprehensive income	20	1,588	1,823
Lease receivables		6,893	6,544
Deferred tax assets		10,102	10,443
Other non-current assets		7,047	6,795
		303,003	305,067
Current assets			
Inventories		3,182	2,787
Trade receivables	15	438	457
Lease receivables		1,879	1,863
Prizes in operation of pachinko halls		3,484	2,878
Income taxes receivables		0	409
Other current assets		2,193	2,475
Cash and cash equivalents		38,916	50,109
		50,092	60,978
TOTAL ASSETS		353,095	366,045
Current liabilities			
Trade and other payables	16	11,673	14,904
Borrowings		17,823	21,083
Lease liabilities		10,462	10,572
Provisions		1,480	1,523
Income taxes payables		1,216	1,480
Other current liabilities		9,914	10,749
		52,568	60,311

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2024

	Note	At 30 September 2024 ¥ million (unaudited)	At 31 March 2024 ¥ million (audited)
Net current (liabilities)/assets		(2,476)	667
Total assets less current liabilities		300,527	305,734
Non-current liabilities			
Deferred tax liabilities		103	197
Borrowings		74,577	79,241
Lease liabilities		90,052	87,436
Other non-current liabilities		1,740	1,555
Provisions		5,767	5,817
		172,239	174,246
NET ASSETS		128,288	131,488
Capital and reserves			
Share capital		15,000	15,000
Capital reserve		5,583	5,776
Treasury shares	17	–	(193)
Retained earnings		107,265	106,816
Other components of equity		437	4,086
Equity attributable to owners of the Company		128,285	131,485
Non-controlling interests		3	3
TOTAL EQUITY		128,288	131,488

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

Attributable to equity holders of the Company												
Note	Other component of equity											Total equity ¥ million (unaudited)
	Share capital ¥ million (unaudited)	Capital reserve ¥ million (unaudited)	Treasury shares ¥ million (unaudited)	Retained earnings ¥ million (unaudited)	Fair value of financial assets at FVTOCI ¥ million (unaudited)	Foreign currency translation reserve ¥ million (unaudited)	Cash flow hedge ¥ million (unaudited)	Revaluation surplus for properties ¥ million (unaudited)	Total ¥ million (unaudited)	Total ¥ million (unaudited)	Non-controlling interests ¥ million (unaudited)	
At 1 April 2023	15,000	7,129	(70)	106,977	(5,180)	5,500	(1,044)	113	(611)	128,425	2	128,427
Profit for the period	-	-	-	1,873	-	-	-	-	-	1,873	1	1,874
Other comprehensive income for the period	-	-	-	-	(799)	4,761	647	-	4,609	4,609	0	4,609
Total comprehensive income for the period	-	-	-	1,873	(799)	4,761	647	-	4,609	6,482	1	6,483
Purchase of treasury shares	17(i)	-	-	(692)	-	-	-	-	-	(692)	-	(692)
Cancellation of treasury shares	17(ii)	-	(689)	689	-	-	-	-	-	-	-	-
2023 final dividend	18	-	-	-	(1,783)	-	-	-	-	(1,783)	-	(1,783)
Total changes in equity for the period	-	(689)	(3)	90	(799)	4,761	647	-	4,609	4,007	1	4,008
At 30 September 2023	15,000	6,440	(73)	107,067	(5,979)	10,261	(397)	113	3,998	132,432	3	132,435
At 1 April 2024	15,000	5,776	(193)	106,816	(6,012)	10,948	(997)	147	4,086	131,485	3	131,488
Profit for the period	-	-	-	2,190	-	-	-	-	-	2,190	0	2,190
Other comprehensive income for the period	-	-	-	-	126	(2,879)	(915)	19	(3,649)	(3,649)	0	(3,649)
Total comprehensive income for the period	-	-	-	2,190	126	(2,879)	(915)	19	(3,649)	(1,459)	0	(1,459)
Purchase of treasury shares	17(i)	-	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	17(ii)	-	(193)	193	-	-	-	-	-	-	-	-
2024 final dividend	18	-	-	-	(1,741)	-	-	-	-	(1,741)	-	(1,741)
Total changes in equity for the period	-	(193)	193	449	126	(2,879)	(915)	19	(3,649)	(3,200)	0	(3,200)
At 30 September 2024	15,000	5,583	-	107,265	(5,886)	8,069	(1,912)	166	437	128,285	3	128,288

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Note	Six months ended 30 September	
		2024	2023
		¥ million	¥ million
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		3,576	2,924
Adjustments for:			
Finance expenses		2,668	1,895
Finance income		(200)	(419)
Depreciation of property, plant and equipment		23,120	22,873
Depreciation of right-of-use assets		4,465	4,544
Amortisation of intangible assets		304	175
(Gain)/Loss on sales and disposals of property, plant and equipment		(312)	496
Impairment loss on property, plant and equipment		268	164
Impairment loss on right-of-use assets		467	162
Impairment loss on intangible assets		72	–
Others		(42)	(67)
Operating profit before working capital changes:		34,386	32,747
(Increase)/decrease in prizes in operation of pachinko halls		(606)	348
Increase in inventories		(620)	(494)
Decrease/(increase) in trade receivables		16	(24)
(Increase)/decrease in other non-current assets		(337)	105
Decrease in other current assets		652	416
Decrease in finance lease receivables		186	211
(Decrease)/increase in trade and other payables		(4,826)	26
(Decrease)/increase in other current liabilities		(846)	959
(Decrease)/increase in other non-current liabilities		(43)	19
Decrease in current provisions		(43)	(28)
Others		(9)	–
Cash generated from operations		27,910	34,285
Income taxes paid		(1,257)	(39)
Finance expenses paid		(2,318)	(1,587)
Net cash generated from operating activities		24,335	32,659

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Note	Six months ended 30 September	
		2024	2023
		¥ million	¥ million
		(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(22,341)	(48,966)
Proceeds from sales of property, plant and equipment		601	335
Purchase of investment properties		(4)	–
Proceeds from sales of investment properties		–	611
Purchase of intangible assets		(810)	(994)
Proceeds from sales of financial assets measured at fair value through other comprehensive income		0	17
Payments for business combinations		–	(4,012)
Payments for asset retirement obligations		(40)	(5)
Payment of rental deposits		(66)	(108)
Proceeds from refund of rental deposits		127	130
Finance income received		178	217
Net cash used in investing activities		(22,355)	(52,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		8,784	20,590
Repayment of bank loans		(15,143)	(8,851)
Repayment of leases liabilities		(4,840)	(5,012)
Purchase of treasury shares	17	–	(692)
Dividends paid	18	(1,741)	(1,783)
Net cash (used in)/generated from financing activities		(12,940)	4,252
Effects of exchange rate changes on cash and cash equivalents		(233)	349
NET DECREASE IN CASH AND CASH EQUIVALENTS		(11,193)	(15,515)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		50,109	59,605
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		38,916	44,090

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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 2024 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 25 November 2024.

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2024 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 2024 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Material accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2024 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2024 except for the following.

2. BASIS OF PREPARATION *(Continued)*

Adoption of new and revised International Financial Reporting Standards

The following new amendments to existing standards have been issued and effective for annual periods beginning on 1 April 2024 with no impact on the Group's results of operations and financial positions:

- IAS 1 (Amendment), "Presentation of Financial Statements"
- IAS 7 (Amendment), "Statement of Cash Flows"
- IFRS 7 (Amendment), "Financial instruments: Disclosures"
- IFRS 16 (Amendment), "Leases"
- IAS 12 (Amendment), "Income taxes"

The amendment to IAS 12 clarified that IAS 12 is applicable to the income taxes arising from the tax legislation enacted or substantively enacted for the introduction of the GloBE (Global Anti-Base Erosion) Rules as the second pillar of BEPS (Base Erosion and Profit Shifting) by OECD (Organisation for Economic Co-operation and Development). However, a temporary exception is provided which requires companies to not recognise or disclose information about deferred tax assets and deferred tax liabilities related to income taxes that arise from the GloBE Rules. The Group has retroactively applied the exception provided by IAS 12. Therefore, the Group has not recognised or disclosed information about deferred tax assets and deferred tax liabilities related to income taxes that arise from the GloBE Rules.

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

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

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

2. BASIS OF PREPARATION *(Continued)*

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the Group from fiscal year ending	Summary of new standards and amendments
IAS 21 (Amendment)	The effects of Changes in Foreign Exchange rates	1 January 2025	31 March 2026	Requirement to specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable, and requires the disclosure of additional information when a currency is not exchangeable
IFRS 9 (Amendment)	Financial instruments	1 January 2026	31 March 2027	Clarification for financial instruments containing factors in correlation with ESG and date of cancellation regarding settlements of financial instruments made through electric remittance systems
IFRS 7 (Amendment)	Financial instruments: disclosure			
Amendments to IFRSs	Annual improvements to IFRS Accounting Standards-Volume 11	1 January 2026	31 March 2027	Clarification and so forth for the purpose of improvements with regard to IFRS7 Financial instruments: Disclosure, IFRS9 Financial instruments, IAS7 Statement of Cash flows, etc.
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	31 March 2028	Redefining financial performance reporting
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			

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 impacts on that interim condensed consolidated financial information are the same as those of the consolidated financial statements for the year ended 31 March 2024, 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	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Gross pay-ins	276,861	278,822
Less: Gross payouts	(216,684)	(216,635)
Revenue from pachinko business	60,177	62,187
Revenue from aircraft leasing business	3,576	2,188
Revenue	63,753	64,375

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

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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 business except for aircraft leasing 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.

Segment liabilities mainly comprise borrowings, lease liabilities, provisions and other current and non-current liabilities.

5. SEGMENT INFORMATION *(Continued)*

(a) *Segment information (Continued)*

The segment information provided to the executive directors for the six months ended 30 September 2024 and 2023 are as follows:

	Six months ended 30 September 2024				
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	60,177	3,576	63,753	–	63,753
Other segment items					
Depreciation and amortisation expenses	(26,084)	(1,718)	(27,802)	(30)	(27,832)
Impairment loss	(807)	–	(807)	–	(807)
Finance income	95	53	148	52	200
Finance expenses	(1,280)	(1,171)	(2,451)	(217)	(2,668)
Segment profit	3,914	415	4,329	–	4,329
Corporate expenses					(753)
Profit before income taxes					3,576
Income taxes					(1,386)
Net profit for the period					2,190
Addition to non-current assets other than financial instruments and deferred tax assets	33,073	–	33,073	5	33,078

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

5. SEGMENT INFORMATION *(Continued)*

(a) Segment information (Continued)

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

Note: There is no transaction between segments and corporate income and expenses not attributed to any particular segment are defined as "Unallocated".

5. SEGMENT INFORMATION *(Continued)*

(a) *Segment information (Continued)*

The segment assets and segment liabilities as at 30 September 2024 and as at 31 March 2024 are as follows:

At 30 September 2024					
	Pachinko business ¥ million (unaudited)	Aircraft leasing business ¥ million (unaudited)	Segment Total ¥ million (unaudited)	Unallocated ¥ million (unaudited)	Total ¥ million (unaudited)
Segment assets	251,347	79,324	330,671	22,424	353,095
Segment liabilities	104,641	75,615	180,256	44,551	224,807

At 31 March 2024					
	Pachinko business ¥ million (audited)	Aircraft leasing business ¥ million (audited)	Segment Total ¥ million (audited)	Unallocated ¥ million (audited)	Total ¥ million (audited)
Segment assets	253,870	85,877	339,747	26,298	366,045
Segment liabilities	109,143	79,523	188,666	45,891	234,557

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

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

	Six months ended 30 September 2024		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
Segment revenue from external customers	60,177	3,576	63,753

	At 30 September 2024		
	Japan ¥ million (unaudited)	Europe ¥ million (unaudited)	Total ¥ million (unaudited)
Segment non-current assets other than financial instruments and deferred tax assets	202,001	76,147	278,148

	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 31 March 2024		
	Japan ¥ million (audited)	Europe ¥ million (audited)	Total ¥ million (audited)
Segment non-current assets other than financial instruments and deferred tax assets	197,460	82,427	279,887

5. SEGMENT INFORMATION *(Continued)*

(c) Information about major customers

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

6. PACHINKO BUSINESS EXPENSES

	Six months ended 30 September	
	2024 ¥ million (unaudited)	2023 ¥ million (unaudited)
Advertising expenses	1,319	1,474
Cleaning and ancillary services	1,176	1,266
Depreciation expenses	21,414	21,779
Hall staff costs	18,344	18,857
Pachinko and pachislot machine expenses	1,641	1,664
Depreciation expenses of right-of-use assets	4,416	4,496
Repair and maintenance expenses	1,746	1,888
Utilities expenses	3,794	3,936
Others	3,846	3,848
	57,696	59,208

7. AIRCRAFT LEASING EXPENSES

	Six months ended 30 September	
	2024 ¥ million (unaudited)	2023 ¥ million (unaudited)
Depreciation expenses	1,595	970
Amortisation expenses	123	98
Others	324	254
	2,042	1,322

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

8. OTHER INCOME

	Six months ended 30 September	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Commission from vending machines and in-store sales	1,679	1,696
Income from forfeiture of customer's membership cards	83	77
Income from catering services	360	332
Net gains on sales of used machines	251	250
Rental income	394	400
Government grants (Note)	7	142
Insurance income	501	—
Income from forfeiture of unutilised balls and tokens	824	76
Others	939	990
	5,038	3,963

Note: Government grants related to employment or other actions regarding the coronavirus (COVID-19) infection taken by the Group are recognised in profit or loss.

9. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Disposal cost of non-financial assets	107	668
Impairment loss of non-financial assets (Note 13)	807	326
Rental expenses	27	65
Others	145	205
	1,086	1,264

10. FINANCE INCOME

	Six months ended 30 September	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Bank interest income	59	104
Finance leases interest income	98	97
Dividend income	20	16
Foreign exchange gain, net	–	175
Others	23	27
	200	419

Dividend income is generated from financial assets measured at FVTOCI.

11. FINANCE EXPENSES

	Six months ended 30 September	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Interest expenses	1,525	853
Amortisation of syndicated bank loan charges	42	42
Foreign exchange loss, net	74	–
Interest on lease liabilities	1,003	971
Others	24	29
	2,668	1,895

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

12. INCOME TAXES

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

	Six months ended 30 September	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Current taxes	1,001	1,272
Deferred taxes	385	(222)
	1,386	1,050

13. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the six months ended 30 September 2024, the Group acquired pachinko and pachislot machines of ¥15,546 million (2023: ¥18,334 million) while the Group acquired no aircraft (2023: ¥25,823 million).

As a result, during the six months ended 30 September 2024, the Group acquired property, plant and equipment of ¥23,997 million (2023: ¥50,220 million).

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

For the pachinko business, the Group considered an individual pachinko hall as a cash-generating unit ("CGU") based on business activities. The recoverable amount of the CGU is determined from the higher of fair value less costs of disposal and value in use.

The value in use is calculated with the significant assumptions regarding discount rates, revenue growth rates and budgeted revenue from pachinko business and pachinko business expenses which are approved by management during the period.

The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money. In addition, the rate used to discount the cash flow projections from the CGU's operating result is 2.79% (2023: 2.90%).

The Group calculates future cash flows with revenue growth rates that are estimated to be 0 for the periods over its budgets of each pachinko hall.

The budgeted revenue from pachinko business and pachinko business expenses internally approved for each pachinko hall applied for its calculation of the value in use are in the range between ¥85 million and ¥452 million and between ¥86 million and ¥387 million respectively.

As a result of reviewing recoverable amount of CGU determined based on each pachinko hall, impairment losses for the six months ended 30 September 2024 are ¥268 million from property, plant and equipment (2023: ¥164 million), ¥467 million from right-of-use assets (2023: ¥162 million), ¥66 million from goodwill (2023: Nil), and ¥6 million from other intangible assets except for goodwill (2023: Nil).

14. CAPITAL COMMITMENTS

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

	At 30 September 2024 ¥ million (unaudited)	At 31 March 2024 ¥ million (audited)
Capital commitment-purchase on property, plant and equipment Pachinko and Pachislot machines	699	508
	699	508

15. TRADE RECEIVABLES

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

	At 30 September 2024 ¥ million (unaudited)	At 31 March 2024 ¥ million (audited)
1 to 30 days	429	445
31 to 60 days	5	6
Over 60 days	4	6
	438	457

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

16. TRADE AND OTHER PAYABLES

	At 30 September 2024 ¥ million (unaudited)	At 31 March 2024 ¥ million (audited)
Trade payables	1,040	1,073
Halls construction and system payables	2,065	1,365
Other tax expenses	436	3,387
Pachinko and pachislot machine payables	1,292	913
Accrued staff costs	5,129	6,399
Advertisement and promotions	81	129
Housing rent	157	191
Others	1,473	1,447
	11,673	14,904

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

	At 30 September 2024 ¥ million (unaudited)	At 31 March 2024 ¥ million (audited)
1 to 30 days	985	1,073
31 to 60 days	-	-
Over 60 days	55	-
	1,040	1,073

17. TREASURY SHARES

Changes of the Company's treasury shares for the six months ended 30 September 2024 and 2023 are as follows:

	Note	Six months ended 30 September		2023	
		2024		Number of	¥ million
		Number of	¥ million	Ordinary	¥ million
		share	(unaudited)	share	(unaudited)
Balance at the beginning of the period		2,300,000	193	788,800	70
Increase in treasury shares	(i)	–	–	7,688,600	692
Decrease in treasury shares	(ii)	(2,300,000)	(193)	(7,746,200)	(689)
Balance at the end of the period		–	–	731,200	73

Notes:

- (i) The increase of 7,688,600 treasury shares during the six months ended 30 September 2023 consists of 7,688,600 shares acquired as treasury shares subject to Article 156 (replacement of the third paragraph of Article 165) of the Company Law of Japan (the Japan Company Law).
- The Company held the general meeting on 23 June 2023 where the general mandate to repurchase shares of the Company was granted within the range of 71,348,629 shares.
- (ii) The decrease of 2,300,000 and 7,746,200 treasury shares during the six months ended 30 September 2024 and 2023 is due to the cancellation of shares subject to Article 178 of the Japan Company Law.

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

18. DIVIDENDS

During the six months ended 30 September 2024 and 2023, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

Dividends declared and paid/payable to its shareholders by:	Six months ended 30 September		2023	
	2024	Total	Dividend per	Total
	Dividend per share	Dividends	share	Dividends
	¥	¥ million	¥	¥ million
		(unaudited)		(unaudited)
Final dividend paid	2.50	1,741	2.50	1,783
		1,741		1,783

On 25 November 2024, the Board of Directors declared an interim dividend of ¥2.50 per ordinary share of the Company, which is payable on 10 January 2025 to the shareholders of the Company.

19. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share	2,190	1,873
Weighted average number of shares	696,443,096	711,697,552
Basic earnings per share (¥)	3.1	2.6

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2024 and 2023 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2024 and 2023.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	At 30 September 2024		At 31 March 2024	
	¥ million (unaudited)		¥ million (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at FVTOCI	1,588	1,588	1,823	1,823
Financial assets measured at amortised cost				
Rental deposits	5,534	5,465	5,643	5,632
Lease receivables	8,772	8,772	8,407	8,407
Derivatives				
Financial assets designated as hedging instruments	311	311	314	314
Total	16,205	16,136	16,187	16,176
Financial liabilities				
Derivatives				
Financial liabilities designated as hedging instruments	334	334	56	56
Financial liabilities measured at amortised cost				
Borrowings	92,400	89,905	100,326	96,277
Total	92,734	90,239	100,382	96,333

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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

(a) Fair value estimation

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

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

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

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

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

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

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

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

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

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

(b) Recognised fair value measurements

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

At 30 September 2024				
Description	Fair value measurements using:			Total ¥ million (unaudited)
	Level 1 ¥ million (unaudited)	Level 2 ¥ million (unaudited)	Level 3 ¥ million (unaudited)	
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	239	–	–	239
Listed securities in Japan	900	–	–	900
Others	–	–	449	449
Derivatives				
Financial assets designated as hedging instruments	–	311	–	311
Total	1,139	311	449	1,899
Derivatives				
Financial liabilities designated as hedging instruments	–	334	–	334
At 31 March 2024				
Description	Fair value measurements using:			Total ¥ million (audited)
	Level 1 ¥ million (audited)	Level 2 ¥ million (audited)	Level 3 ¥ million (audited)	
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	427	–	–	427
Listed securities in Japan	932	–	–	932
Others	–	–	464	464
Derivatives				
Financial assets designated as hedging instruments	–	314	–	314
Total	1,359	314	464	2,137
Derivatives				
Financial liabilities designated as hedging instruments	–	56	–	56

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

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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

(c) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

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

Changes in level 3 for the six months ended 30 September 2024 and 2023 were as follows:

	Six months ended 30 September	
	2024	2023
	¥ million	¥ million
	(unaudited)	(unaudited)
Balance at beginning of the period	464	444
(Loss)/gain in other comprehensive income	(14)	21
Purchases	–	3
Sales	(1)	(11)
Balance at end of the period	449	457

(e) Valuation process

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

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

21. EVENTS AFTER THE REPORTING PERIOD

(Entering into new purchase and lease agreement of aircraft)

On 7 November 2024, Dynam Aviation entered into the new purchase and lease agreement of two aircraft with Wizz Air Fleet Management Ltd. (“Wizz”). This agreement for each aircraft will be executed to Wizz or an affiliate within the group of Wizz in the second half of the year ended 31 March 2026.

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

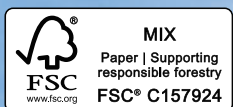
Definitions

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

“Business Partners” ビジネスパートナーズ	Business Partners Co., Ltd., a stock company incorporated in Japan with limited liability. Business Partners is a wholly-owned subsidiary of the Company
“Cabin Plaza” キャビンプラザ	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
“Director(s)” 取締役	the director(s) of the Company
“Dynam” ダイナム	DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company
“Dynam Aviation” ダイナムアビエーション	Dynam Aviation Ireland Limited, a company incorporated in Ireland with limited liability. Dynam Aviation is a wholly-owned subsidiary of the Company
“Dynam Business Support” ダイナムビジネスサポート	Dynam Business Support Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam Business Support is a wholly-owned subsidiary of the Company
“Dynam Hong Kong” ダイナム香港	Dynam Hong Kong Co., Ltd., a stock company incorporated in Hong Kong with limited liability. Dynam Hong Kong is a wholly-owned subsidiary of the Company
“Eurasia Foundation (from Asia)” 一般財団法人ユーラシア財団from Asia	Eurasia Foundation (from Asia), a general incorporated foundation established in Japan
“Group” 当社グループ又はDYJHグループ	the Company and its subsidiaries at the relevant time
“high playing cost” 高貸玉	playing cost of 4 yen per pachinko ball and 20 yen per pachislot token
“low playing cost” 低貸玉	playing cost of less than 4 yen per pachinko ball and less than 20 yen per pachislot token
“Nihon Humap” 日本ヒュウマップ	Nihon Humap Co., Ltd., a stock company incorporated in Japan with limited liability. Nihon Humap is a wholly-owned subsidiary of the Company
“Reporting Period” 報告対象期間	the period from 1 April 2024 to 30 September 2024
“Rich-O” リッチオ	Rich-O Co., Ltd., a stock company incorporated in Japan with limited liability
“SAC” SAC	Sato Aviation Capital Limited, a company incorporated in Hong Kong with limited liability, being held as to 100% by Mr. Yoji SATO
“smart pachinko machine” スマートパチンコ機	a pachinko machine which can be electronically played without touching any pachinko ball circulating therein and can electronically store payout information. Since no pachinko ball is touched, it is expected there will be merits such as extermination of fraud, prevention of infectious diseases and reduction of burdens on hall staff and customers in carrying pachinko balls
“smart pachislot machine” スマートパチスロ機	a pachislot machine which can be electronically played without any pachislot token and can electronically store payout information. Since no pachislot token is used, it is expected there will be merits such as extermination of fraud, prevention of infectious diseases and reduction of burdens on hall staff and customers in carrying pachislot tokens
“Yume Corporation” 夢コーポレーション	Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company



DYNAM JAPAN HOLDINGS Co., Ltd.



About the Cover

● Shirakawa-go in Winter

Shirakawa-go is said to be Japanese never-fading scenery, where you can see traditional Japanese rural culture and people living there. The fantastical light-up in snowy winter makes you feel like you have gone back in time to a hometown in Japan, where you can feel the warmth of people.