COMPANY RESEARCH AND ANALYSIS REPORT

# DYNAM JAPAN HOLDINGS Co., Ltd.

## 06889

Hong Kong Stock Exchange

17-Aug.-2026

FISCO Ltd. Analyst

**Yuzuru Sato**

FISCO

FISCO Ltd.

https://www.fisco.co.jp

# Contents

# Summary

## In FY3/26, both revenue and profit declined. Aiming for improved operating rates in FY3/27

DYNAM JAPAN HOLDINGS Co., Ltd. <HK06889> (hereafter, also "the Company") is one of Japan's top operators of pachinko halls with the largest number of halls operated. Its strength and characteristics lie in low-cost operations based on the chain store theory. The Company's vision is to "transform pachinko into a 'daily entertainment' of local infrastructure that everyone can casually enjoy." The Company is a pioneer as the first in its industry to be listed on a stock market, aided by recognition of its high-quality management with implementation of a customer-first approach, information disclosure, compliance management, and other measures.

**1. Status of FY3/26 results**

In the FY3/26 consolidated results, revenue decreased 2.3% year on year (YoY) to ¥123,186mn, while operating profit decreased 16.6% to ¥9,154mn. Revenue declined for a second consecutive fiscal year. Although the Aircraft leasing business expanded steadily, up 9.1%, the Pachinko business fell 3.0% due to the implementation of measures to increase customer payouts aimed at growing the number of customers. Ball fee revenue turned upward for the first time in two fiscal years, increasing 1.0% as a result of these measures, but this was not enough to recover revenue. On the profit side, although Pachinko business expenses improved, primarily due to declines in gaming machine-related expenses and utilities expenses, the decrease in other income and the increase in impairment losses in the Pachinko business were factors behind the profit decline. The Group had 423 halls at the end of FY3/26, 4 less than at the end of FY3/25. Six halls were closed, and two halls were acquired through M&A. For the two newly acquired halls, promotion measures were implemented targeted toward the young and middle-aged demographic by leveraging social media, which significantly improved their profitability compared to before they became part of the Group.

**2. FY3/27 business strategy**

In FY3/27, the Company targets higher revenue and profit in both the Pachinko business and the Aircraft leasing business. In the Pachinko business, the Company will continue to implement customer payout measures and focus on increasing the number of customers and ball fee revenue. Gaming machine-related expenses and utilities expenses are expected to increase, but the plan is to offset these through an increase in ball fee revenue. For pachinko machines, which have been slower to recover compared to pachislot machines, manufacturers are shifting their development focus from gambling appeal to entertainment appeal. Models embodying this new approach are expected to start being introduced from the end of 2026 onward, and it is hoped that hall operating rates will also improve. As a new initiative, Next Play's Co., Ltd. was established to launch a Claw machine business. By effectively utilizing closed halls and personnel, three stores will first be opened during 1H, and plans for 2H will be considered based on the earnings performance of these stores. These will be supermarket-style claw machine specialty stores, with everyday necessities making up approximately 80% of the prizes. Some stores operated by other companies reportedly generate higher sales per store than pachinko halls, and depending on the situation, the Company may consider expanding this business as a new entertainment facility that contributes to regional revitalization. In the Aircraft leasing business, the Company held 13 aircraft (including one engine) at the end of FY3/26, and it plans to sell some of these in FY3/27.

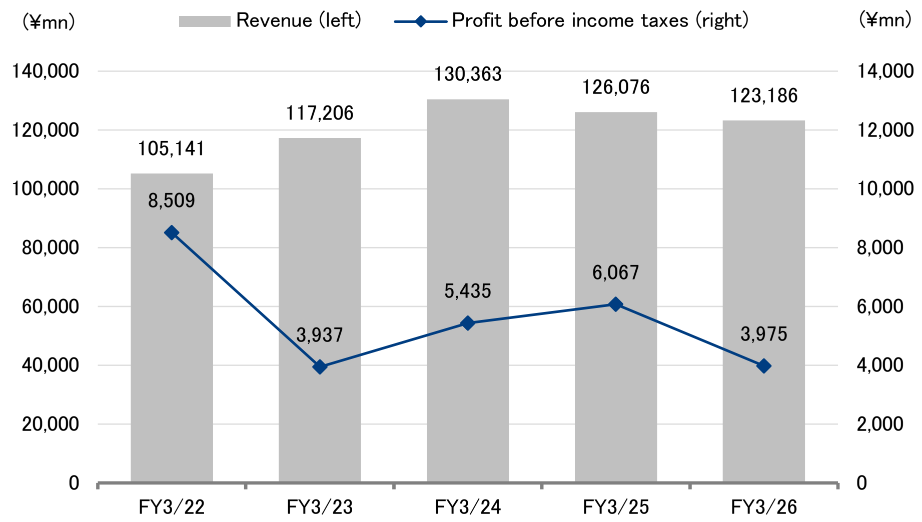
### 3. Pachinko business outlook

In the pachinko hall industry, companies lacking financial strength are being weeded out amid ongoing tough market conditions, and the number of halls remains on a downtrend. For halls judged to offer little prospect of future profitability improvement, the Company has also proceeded with measures such as vacating the land, converting them to new businesses, or leasing them out. Impairment losses were booked in FY3/26 for the estimated costs related to these actions (¥3,773mn including other impairment charges). The Company's vision of transforming pachinko into a form of "daily entertainment" that everyone can casually enjoy remains unchanged. With manufacturers also repositioning their development focus toward entertainment, from 2027 onward, the market introduction of many such machine models is expected to turn customer numbers back onto a recovery track. In 2027, the Company will celebrate the 60th anniversary of its founding, and will implement various initiatives to make this a year for reviving the Pachinko business. If the creation of halls that emphasize entertainment gains customer support, the Company's market share is expected to continue expanding in the future.

**Key Points**

- In FY3/26, impairment losses were brought forward, leading to declines in revenue and profit
- In FY3/27, the Company will work on recovering customer numbers and launching new businesses
- The Aircraft leasing business plans to sell some aircraft and engines, and forecasts increases in revenue and profit
- Aiming for a full-fledged return to a growth trajectory in 2027, which marks the 60th anniversary of the Company's founding

Trends in operating results




Source: Prepared by FISCO from the Company's financial statements announcement

# Company profile

## Expanded business scope based on chain store theory, and achieved the industry's first stock listing

### 1. History

The Company was founded as Sawa Shoji Co., Ltd. in 1967 by Yohei Sato, the father of Yoji Sato, a current director and senior corporate advisor. Following the sudden passing of the founder in 1970, his eldest son, Yoji Sato, who was working at Daiei, Inc. at the time, took over the business.

The Company has a track record of pioneering various initiatives in the pachinko hall industry ahead of its competitors, including hiring new university graduates, opening suburban and low-cost halls, forming a labor union, and expanding low playing cost halls nationwide. Yoji Sato gained knowledge of chain store theory, which was in the early stages of being introduced in Japan, through his work at Daiei, Inc. After taking over management, he consistently applied this theory to pachinko hall management, thereby expanding the business. The low-cost operations deployed by the Company are also built on the foundation of this chain store theory.

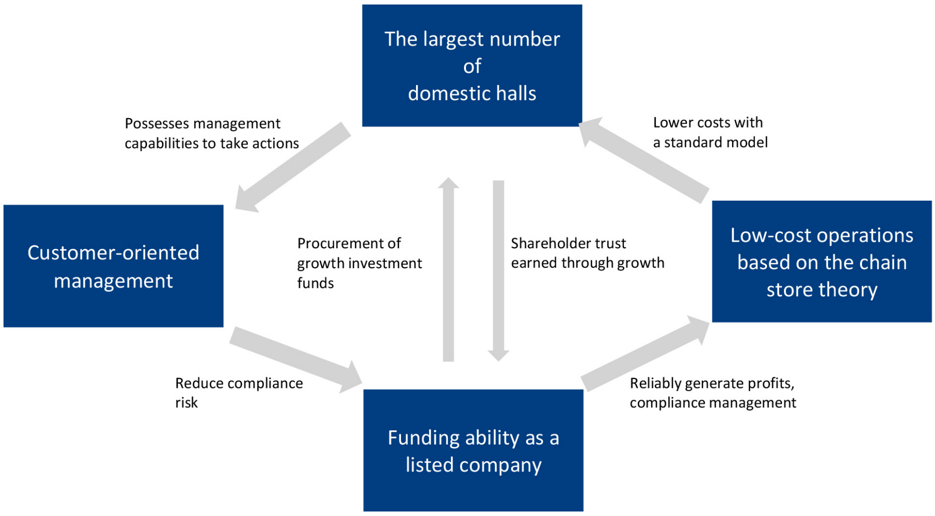
The management philosophy based on this theory has permeated the corporate culture, and elements such as a customer-first approach, information disclosure, and compliance management were incorporated into the management principles from an early stage. These efforts contributed to building a robust management base, which led to the Company's listing on the Hong Kong Stock Exchange in August 2012.

## Established a robust management foundation that leverages four strengths, differentiates itself from other companies

### 2. DYNAM JAPAN HOLDINGS Group's features and strengths

The DYNAM JAPAN HOLDINGS Group's main features and strengths can be summarized into four points: 1) top-ranking hall numbers in Japan, 2) low-cost operations, 3) customer-oriented management, and 4) strong fund-raising capabilities. These strengths do not just exist independently; they mutually complement and reinforce each other. The interplay of these elements generates synergies, creating a unique competitive advantage.

Relationship among the four features and strengths of the DYNAM JAPAN HOLDINGS Group

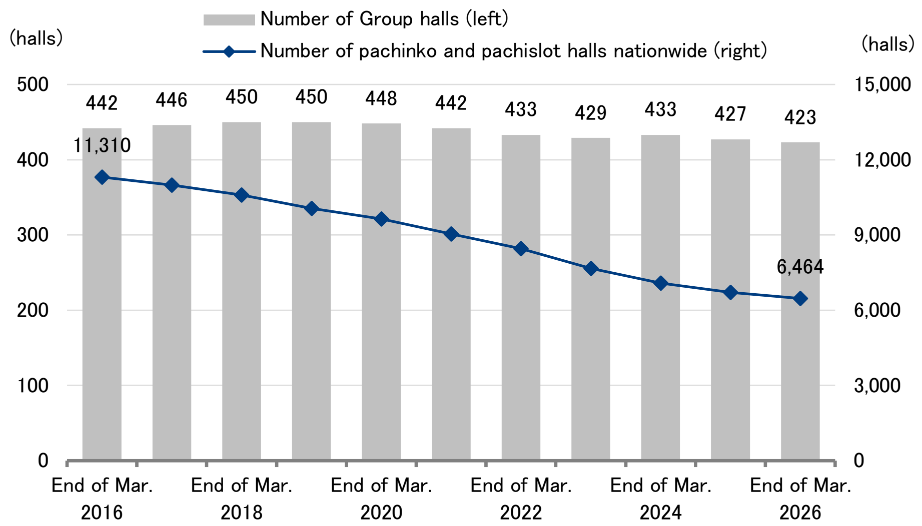



Source: Prepared by FISCO from interviews

**(1) Domestic leader with 423 group halls**

There were 6,464 pachinko and pachislot halls in Japan as of December 31, 2025 (down 242 YoY), according to the National Police Agency's "Current Situation with Amusement and Entertainment Business and Situation with Policing Amusement and Entertainment-related Crime, etc. in 2025," down to just under 40% of the peak level in 1995 of 18,244 halls. This is due to the increasingly severe business environment, triggered by the diversification of entertainment options and population decline, as well as the COVID-19 pandemic in 2020. The Group's number of halls has also decreased slightly, from its peak of 450 halls at the end of March 2019 to 423 halls at the end of March 2026, but it still maintains the top number of halls in Japan. Although it is not a precise comparison due to differences in the data compilation timing, the domestic market share has been rising year after year. The industry share at the end of March 2026 was 6.5%, both in terms of the number of halls and the number of installed gaming machines, up 0.1 percentage point (pp) from the end of the same month of the previous year. For reference, the industry share based on the number of halls at the end of March 2016, 10 years prior, was 3.9%.

Trend in number of halls




Source: Prepared by FISCO from the Company's financial statements announcement and the National Police Agency's "Current Situation with Amusement and Entertainment Business and Situation with Policing Amusement and Entertainment-related Crime, etc. in 2025"

The Group has promoted multi-hall operations by standardizing the hall format as a hall opening strategy and focusing openings on large population centers in rural areas (commercial areas with populations of 30,000 to 50,000 people) where rents can be kept down. This scale advantage helps to keep down the costs for purchasing gaming machines and prizes. Having a large number of halls means it buys that many more gaming machines, which strengthens its buying power with gaming machine manufacturers. The Company is also actively developing and introducing private-brand (PB) machines*.

* As of the end of March 2026, 11.8% of its installed pachinko machines were PB machines.

Furthermore, the Company has logistics centers in 16 locations nationwide that each cover around 30 halls, and it reduces logistics costs and curbs gaming machine purchase costs by having halls flexibly transfer machine models to one another. This flexible replacement of machine models enables flexible hall operations, such as changing the lineup in response to customer needs, creating a system that can both attract customers and reduce costs.

**(2) Low-cost operations**

Low-cost operations based on the chain store theory are a vital source of the Company's competitiveness. FISCO thinks this aspect provides tremendous support in enabling the Company to secure the feasibility and effectiveness of various measures, including the growth strategy.

The main costs of the Pachinko business are gaming machine purchase costs (including depreciation) and personnel expenses. The Company applies chain store theory in various ways, not only to cut these direct costs but also through hall designs and operating systems that enable operations with fewer employees, as well as the standardization of new hall openings. It has achieved low-cost operations for the Group overall by doing these things.

The Company is the industry leader in Japan, as mentioned earlier, with 423 halls. This is the result of aggressive multi-hall expansion efforts, and the foundation that made it possible is also chain store theory.

### (3) Implementing management from a customer perspective

In addition to the virtuous cycle where an increase in the number of halls leads to cost reductions through economies of scale, customer-oriented management is also seen as being built on the basis of this theory. The Company advocates a customer-first approach as one of its five business policies and has been practicing it. Differentiation through the thorough implementation of its philosophy can be cited as one of the Group's features.

Among the Company's various management measures, "low playing cost operations" and "operations that do not rely on gambling appeal" are two key points for understanding the Company's management policies and growth strategy.

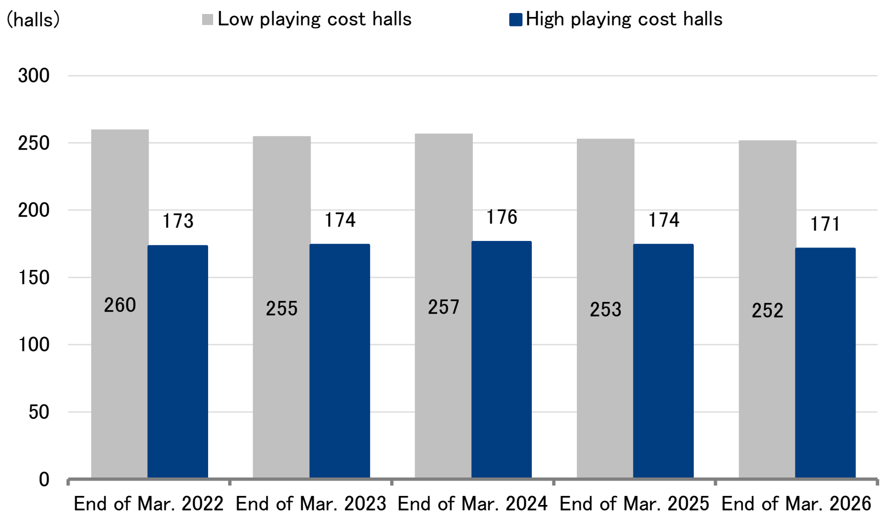
#### a) Low playing cost operations

Low playing cost operations refer to a style of pachinko hall operation wherein the ball rental fees are reduced from the standard ¥4 per ball to ¥1 or ¥2 per ball. This operating style enables customers to play longer as they can rent more balls for the same amount of money. For the Company, whose goal is transforming pachinko into a daily entertainment of local infrastructure that everyone can casually enjoy, it can be said that increasing low playing cost halls is a rational measure.

At the end of March 2026, the Company had 252 low playing cost halls, which was 59.6% of its total halls. From FY3/21 onward, the Company closed unprofitable halls that had been suffering from low operating rates due to weak foot traffic from its core target demographic of seniors during the COVID-19 pandemic. As a result, both the number and ratio of the low playing cost halls have decreased compared to their peak* levels. However, over the medium to long term, customer numbers among seniors are expected to recover due to the aging population. Additionally, the general trend toward seeking entertainment over gambling appeal is strengthening. Consequently, the Company's policy of increasing the ratio of low playing cost halls remains unchanged. Continuing this strategy requires considerable corporate strength, and the Company has built this foundation through multi-hall development and the practice of low-cost operations.

* As of the end of March 2019, the number of low playing cost halls was 274, and the low playing cost hall ratio was 60.9%.

**Number of low playing cost halls and high playing cost halls**




Source: Prepared by FISCO from the materials provided by the Company

**b) Operations that do not rely on gambling appeal**

Operations that do not rely on gambling appeal refers to just that---not using machine models with strong gambling appeal as a central strategy for attracting customers. There are various types of gaming machines, with odds of hitting a jackpot ranging from high to low. The lower the odds for a machine, the greater the number of balls paid out when a jackpot is hit. Many pachinko halls typically increase the ratio of their machines with strong gambling features in accordance with core fans' preferences. However, the Company's ratio of machines with strong gambling appeal is lower than the industry average, while its ratio of machines with the weakest gambling appeal, the 1/100 odds type, is more than 20pp higher than the industry average. In this way, the Company's hall operations are characterized by not relying on gambling appeal.

Looking at the Group's customer composition by age group, slightly over 40% of the customers are seniors, just under 40% are middle-aged in their 40s and 50s, and just under 20% are younger customers in their 10s to 30s. Based on these factors, the Company has set forth a policy of working to build a hall environment that will gain support from an even wider range of customer demographics going forward.

**(4) Fund-raising capabilities that leverage strength as a listed company**

In 2012, the Company became the first in the pachinko hall industry to list its shares on the Hong Kong Stock Exchange. Of the roughly 1,600 companies in the pachinko hall industry, only three, including the Company, are stock market-listed as of the end of March 2026. In the expected future industry realignment, one of the key conditions for taking the initiative in M&A is fund-raising capabilities. When the Company brought Yume Corporation Co., Ltd. into the Group in November 2015, it capitalized on its advantage as a listed company to acquire all of its shares through a stock swap. With respect to the demand for funds due not only to M&A but also investment in halls and new business development, the advantage of being a listed company is significant and will likely work in its favor in terms of procuring funds.

# Status of FY3/26 results

## In FY3/26, impairment losses were brought forward, leading to declines in revenue and profit

**1. Overview of FY3/26 results**

In the FY3/26 consolidated results, revenue decreased 2.3% YoY to ¥123,186mn, operating profit decreased 16.6% to ¥9,154mn, profit before income taxes decreased 34.5% to ¥3,975mn, and profit decreased 35.2% to ¥2,605mn. Revenue declined for a second consecutive fiscal year, and each profit metric turned to a decline for the first time in three fiscal years.

FY3/26 consolidated results

(¥mn)

| | FY3/25 full year | FY3/26 full year | YoY | | Remarks |
|---|---|---|---|---|---|
| | | | Change | % | |
| Revenue | 126,076 | 123,186 | -2,890 | -2.3% | |
| Revenue from Pachinko business | 118,969 | 115,429 | -3,540 | -3.0% | High playing cost halls 53,708 (-3.6%), low playing cost halls 61,721 (-2.4%), pachinko 66,673 (-6.8%), pachislot 48,756 (+2.7%) |
| Revenue from Aircraft leasing business | 7,107 | 7,757 | 650 | 9.1% | Purchased two aircraft and one engine |
| Operating expenses | 118,468 | 113,716 | -4,752 | -4.0% | |
| Pachinko business expenses | 114,277 | 109,375 | -4,902 | -4.3% | Gaming machine-related expenses -3,827, utilities expenses -1,114 |
| Aircraft leasing business expenses | 4,191 | 4,341 | 150 | 3.6% | |
| SG&A expenses | 3,942 | 3,780 | -162 | -4.1% | |
| Other income | 10,212 | 8,691 | -1,521 | -14.9% | FY3/25: gain on sale of Erin School 1,143, FY3/26: gain on bargain purchase 620 |
| Other operating expenses | 2,906 | 5,227 | 2,321 | 79.9% | Fixed-asset disposal loss +496, impairment loss on fixed-asset +1,914 |
| Operating profit | 10,972 | 9,154 | -1,818 | -16.6% | |
| Financial income | 418 | 641 | 223 | 53.3% | |
| Financial expenses | 5,323 | 5,820 | 497 | 9.3% | |
| Profit before income taxes | 6,067 | 3,975 | -2,092 | -34.5% | |
| Profit | 4,019 | 2,605 | -1,414 | -35.2% | |

Source: Prepared by FISCO from the Company's financial statements announcement and results briefing materials

Revenue declined for a second consecutive fiscal year. While the Aircraft leasing business expanded steadily, up 9.1% YoY, the Pachinko business fell 3.0% due to the impact of implementing customer payout increase measures aimed at increasing the number of customers. Meanwhile, ball fee revenue turned to a 1.0% increase, its first rise in two fiscal years, which suggests that the series of measures produced a certain level of effect. Although gaming machine-related expenses and utilities expenses in the Pachinko business decreased, operating profit declined. This was attributed to impairment losses recorded in conjunction with the closure of certain unprofitable halls in anticipation of their future conversion to new businesses. Impairment losses amounted to ¥3,773mn, an increase of ¥1,914mn. Looking at the breakdown, impairment losses were recorded for halls planned for land clearance (¥1,109mn), halls with a high possibility of business conversion (¥61mn), and halls for which leasing or closure was decided (¥92mn). Together with conventional impairment losses and other items, the total was ¥2,683mn. By recording impairment losses that incorporate future risks like upcoming hall closures, in addition to conventional impairment losses, uncertainties for FY3/27 and beyond were effectively removed. In addition, the net finance balance deteriorated ¥274mn due to an increase in interest expenses accompanying the rise in interest-bearing debt.

Breakdown of impairment losses

(¥mn)

| Category | Measurement method | FY3/26 impairment loss |
|---|---|---|
| Halls planned for land clearance | Full impairment of book value | 1,109 |
| Halls with high possibility of business conversion | Impairment to appraisal value | 61 |
| Halls for which leasing or closure was decided | Impairment at the higher of future CF or appraisal value | 92 |
| Other impairment/Group companies | - | 2,683 |
| Reversal of impairment loss | - | -172 |
| Total | | 3,773 |

Source: Prepared by FISCO from the Company's results briefing materials

The Group had 423 halls at the end of FY3/26, 4 fewer than at the end of FY3/25. That broke down as 252 low playing cost halls (1 fewer) and 171 high playing cost halls (3 fewer). Two high playing cost halls were acquired through M&A and reopened after renovation, while six unprofitable halls were closed. The number of employees on a consolidated basis at the fiscal year-end was 12,076, a decrease of 370 people YoY, as a result of the decrease in the number of halls and efforts made to standardize and streamline hall operations.

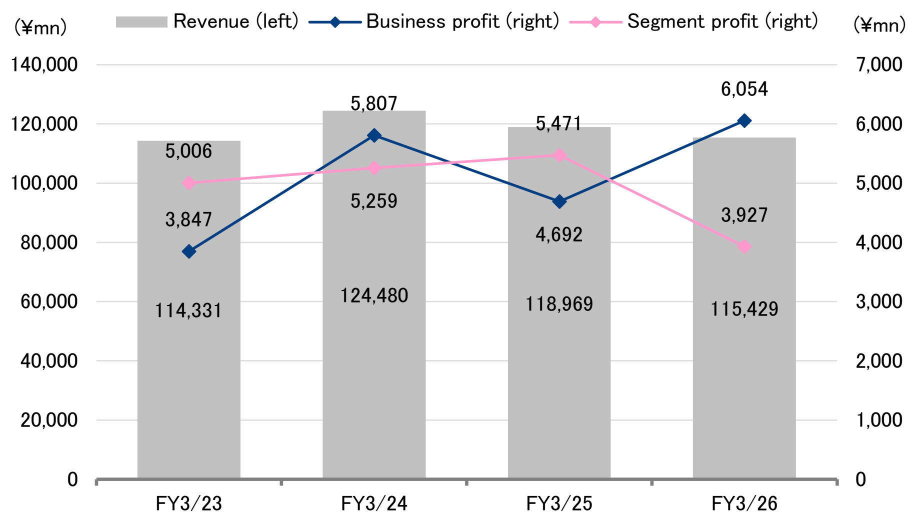
## Pachinko business driven by slots; Aircraft leasing business achieved significant increases in revenue and profit on the back of fleet expansion

### 2. Results trends by business

#### (1) Pachinko business

Pachinko business revenue decreased 3.0% YoY to ¥115,429mn, falling for a second consecutive fiscal year. Segment profit (profit before income taxes) decreased 28.2% to ¥3,927mn, turning to a profit decline for the first time in three fiscal years. Gaming machine-related expenses (including depreciation) decreased ¥3,827mn, and utilities expenses decreased ¥1,114mn. As a result, business profit increased 29.0% to ¥6,054mn. However, factors that pushed down segment profit included the ¥1,914mn increase in impairment losses and the ¥741mn decrease in revenue from the forfeiture of unutilized balls and medals.

Pachinko business results

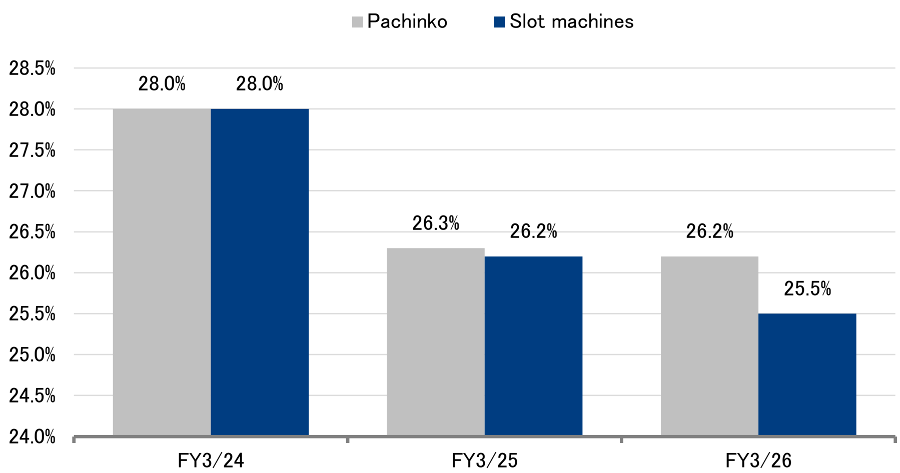



Note: Business profit = Revenue - Operating expenses
Source: Prepared by FISCO from the Company's annual report

Looking at the breakdown of revenue, pachinko revenue decreased 6.8% YoY to ¥66,673mn, declining for a third consecutive fiscal year. Meanwhile, slot revenue maintained its upward trend, increasing 2.7% to ¥48,756mn. The main reason for this was an increase in the number of installed slot machines, which are expected to generate high operating rates, as a business strategy. At the end of FY3/26, the number of installed pachinko machines was down 3.4% YoY to 131,000, while the number of installed pachislot machines was up 6.6% to 80,000. Of these, the installation rate of smart machines rose from 8% at the end of the previous fiscal year to 17% for pachinko, and from 47% to 61% for pachislot machines. This indicates that the Company continued to focus on introducing smart slot machines (hereafter, "smart slots"), which had a strong customer appeal as in FY3/25.

For pachinko machines, the introduction of smart models is also being promoted, but the selection of models that can significantly recover operating rates has been limited, resulting in continued harsh conditions. In fact, the operating rates at the Group's pachinko halls (average of actual customer numbers at 3 p.m. and 7 p.m. divided by the number of installed machines) were 26.2% for pachinko machines, down 0.1pp YoY, and 25.5% for pachislot machines, down 0.7pp. The decline in the operating rate of pachislot machines is primarily due to an increase in the number of installed machines, and revenue is increasing. For pachinko machines, however, the operating rate did not improve even though the number of installed machines was reduced, leading to a contraction in revenue.

**Trends in Group operating rates**




Note: Operating rate = Actual number of customers at peak times (average at 3 p.m. and 7 p.m.) / number of installed machines
Source: Prepared by FISCO from the materials provided by the Company and the Company's results briefing materials

Looking at the rate of change in revenue by hall type, high playing cost halls decreased 3.6% YoY to ¥53,708mn, and low playing cost halls decreased 2.4% to ¥61,721mn. On a ball fee revenue basis, however, high playing cost halls were roughly flat, down 0.1%, while low playing cost halls turned to a 2.3% increase, their first rise in two fiscal years. The divergence in the growth rates of revenue and ball fee revenue is primarily attributable to the implementation of customer payout measures aimed at recovering the number of customers. In fact, the ratio of prize payout value to ball fee revenue (payout ratio) rose by 0.7pp to 81.7% for high playing cost halls, and by 1.1pp to 76.7% for low playing cost halls. This increase in the payout ratio was a factor behind the decline in revenue. The Company aims to increase revenue by continuing these measures to further increase the number of customers and thereby increase ball fee revenue.

Looking at trends in major operating expense items, gaming machine-related expenses declined partly because depreciation peaked out, following the completion of a cycle of machine investments to accommodate smart machines and new banknotes*1. Utilities expenses also decreased significantly, falling 16.1% YoY. This was due to the promotion of LED lighting in halls and the replacement of air conditioning equipment with more energy-efficient models, as well as the power-saving effects of the BEMS*2 introduced in all halls and the planned review of electricity retailers, which were successful. Among other items, hall personnel expenses increased slightly ¥101mn, or 0.3%. Although the number of personnel decreased approximately 3% on a fiscal year-end basis, personnel expenses per person increased. Furthermore, depreciation of right-of-use assets decreased ¥369mn, or 4.2%, due to the decline in the number of halls.

*1 Gaming machine purchase costs increased 12.3% YoY to ¥34,397mn, but decreased on a depreciation basis.
*2 The Building Energy Management System (BEMS) enables centralized management of data associated with energy within buildings, including that pertaining to indoor environments and usage of facilities such as air conditioning, lighting and ventilation, with the aim of conserving energy.

The ratio of operating expenses to ball fee revenue was 19.6% in FY3/26, an improvement of 1.09pp YoY. The main drivers were improvements of 0.72pp in depreciation and 0.21pp in utilities expenses. Hall personnel expenses also improved by 0.05pp. This is attributable to the gradual decrease in the number of personnel per hall as a result of standardizing hall operations and implementing mechanization investments, such as the introduction of self-service counters. Hall personnel expenses have maintained a downward trend over recent years, and this improvement is expected to continue as ball fee revenue expands.

**Ratio of Pachinko business expenses to ball fee revenue**

| | FY3/23 | FY3/24 | FY3/25 | FY3/26 | YoY |
|---|---|---|---|---|---|
| Total expenses | 21.8% | 21.1% | 20.7% | 19.6% | -1.09pp |
| Hall personnel expenses | 7.4% | 6.7% | 6.7% | 6.6% | -0.05pp |
| Depreciation | 7.1% | 7.7% | 7.6% | 6.9% | -0.72pp |
| Gaming machine purchase costs | 0.8% | 0.6% | 0.5% | 0.5% | -0.02pp |
| Depreciation of right-of-use assets | 1.8% | 1.6% | 1.6% | 1.5% | -0.08pp |
| Repair expenses | 0.5% | 0.6% | 0.5% | 0.5% | 0.00pp |
| Utilities expenses | 1.4% | 1.3% | 1.3% | 1.0% | -0.21pp |
| Cleaning expenses | 0.5% | 0.5% | 0.4% | 0.4% | -0.01pp |
| Advertising expenses | 0.6% | 0.5% | 0.5% | 0.5% | 0.01pp |
| Other | 1.7% | 1.6% | 1.6% | 1.6% | 0.01pp |

Source: Prepared from the Company's annual report

For the Shiga Hikone hall and Nagano Ueda hall, which were acquired through M&A, a series of measures proved successful, and their profitability since joining the Group has improved significantly. Both are large-scale halls with more than 700 machines installed. As high playing cost halls where pachislot machines account for slightly over 50% of installed machines, they offer a machine configuration that caters to a wide range of customer demographics, from younger to middle-aged layers. Since the halls became part of the Group, the Company has actively developed advertising promotions through social media such as the official hall LINE and X (formerly Twitter) accounts and has focused on attracting more young and middle-aged customers, which has led to a recovery in customer numbers. In particular, the Nagano Ueda hall has seen its performance improve to the point where it has secured a top-class operating rate in the region.

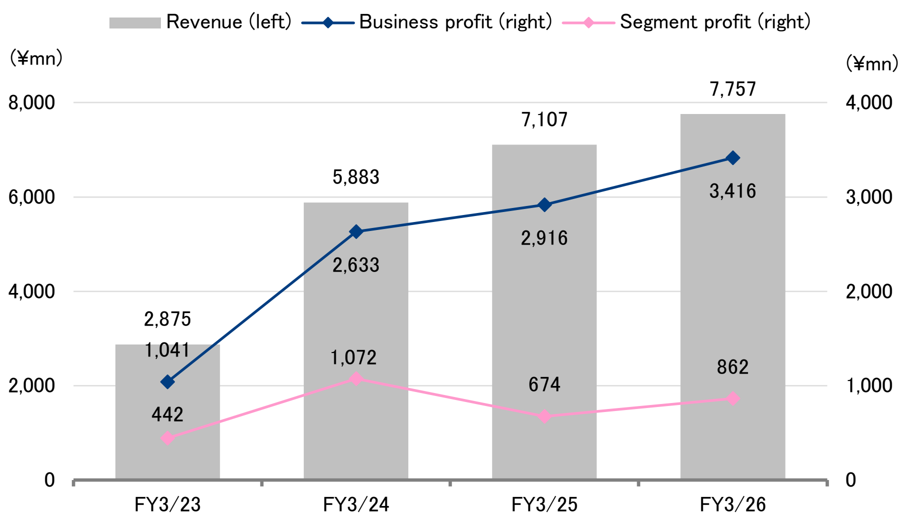
**(2) Aircraft leasing business**

The Aircraft leasing business operated by subsidiary Dynam Aviation Ireland Limited focuses its leasing operations on narrow-body aircraft with substantial liquidity and prospects for stable demand (such as AIRBUS's A-320 series and Boeing's B-737 series). Additionally, Dynam Aviation Ireland Limited established a framework to handle aircraft lease management operations in-house, which were previously outsourced. From FY3/24, it also began providing lease management services for aircraft owned by other companies. Furthermore, through the opening of its Japan branch, it is also moving toward a full-fledged entry into third-party services, such as sourcing investment projects and remarketing managed airframes.

Aircraft leasing business revenue increased 9.1% YoY to ¥7,757mn. Business profit increased 17.1% to ¥3,416mn, and segment profit increased 27.9% to ¥862mn. The main factors behind the increase in revenue were the purchase of two new aircraft and one engine during the fiscal year and the commencement of their leases. Business profit was boosted by an increase in fee income (US$2.13mn, up US$1.44mn) accompanying the execution of third-party services (one investment project sourced, and aircraft remarketing: one re-lease and one sale). Although the net finance balance deteriorated ¥312mn due to an increase in interest-bearing debt, this was absorbed by the increase in business profit, and segment profit turned to an increase for the first time in two fiscal years.

The Company's aircraft holdings at the fiscal year-end were 12 aircraft, an increase of two from the end of the previous fiscal year, plus one engine. In its management services, it continues, as in the previous fiscal year, to be entrusted with the management of seven aircraft and one engine owned by other entities. The aircraft asset balance (fleet value) rose 33.9% YoY to ¥103,420mn, accounting for 27.1% of total assets. The average remaining lease period was 5.2 years, and the annualized gross rate of return rose from 8.8% in the previous fiscal year to 9.2%. All aircraft are leased to low-cost carriers (LCCs), with seven leased to Wizz Air Hungary Ltd. (Wizz Air) of Hungary, four to InterGlobe Aviation Ltd (IndiGo) of India, and one to Vueling Airlines S.A. (Vueling) of Spain.

**Results for aircraft leasing business**




Note: Business profit = Revenue - Operating expenses
Source: Prepared by FISCO from the Company's annual report

Ownership of aircraft assets

| | End of FY3/23 | End of FY3/24 | End of FY3/25 | End of FY3/26 |
|---|---|---|---|---|
| Aircraft owned/managed (including engines) | 6 | 17 | 18 | 21 |
| Owned | 6 | 10 | 10 | 13 |
| Managed | 0 | 7 | 8 | 8 |
| Average age | 2.1 | 1.9 | 2.9 | 3.2 |
| Average lease period (years) | 5.3 | 6.0 | 5.2 | 5.2 |
| Average yield (%)* | 8.1% | 8.1% | 8.8% | 9.2% |
| Aircraft asset balance (¥mn) | 41,130 | 81,363 | 77,232 | 103,420 |
| As a % of total assets | 12.6% | 22.2% | 22.1% | 27.1% |

* Gross rate of return, annualized
Source: Prepared by FISCO from the Company's results briefing materials

## Despite an increase in interest-bearing debt due to aircraft acquisitions, financial risk remains low

### 3. Financial condition

Total assets at the end of FY3/26 stood at ¥382,248mn, an increase of ¥32,862mn YoY. Looking at the major factors behind the increase, aircraft assets, etc. rose ¥26,188mn due to aircraft acquisitions. In addition, gaming machine assets increased ¥2,797mn, right-of-use assets ¥1,520mn, and cash and deposits ¥804mn.

Total liabilities stood at ¥249,481mn, an increase of ¥31,431mn from the end of the previous fiscal year. Interest-bearing debt increased ¥23,613mn due mainly to funds for acquiring aircraft. In addition, lease liabilities rose ¥3,389mn, and accounts payable and accrued expenses ¥1,834mn. Total equity increased ¥1,431mn to ¥132,767mn. While retained earnings decreased ¥879mn due to profit recorded and dividend payments, other components of equity increased ¥2,639mn, primarily due to an increase in the foreign currency translation adjustment accompanying the weaker yen.

Regarding cash flow conditions, cash flows from operating activities resulted in positive ¥60,148mn. Meanwhile, cash flows from investing activities resulted in negative ¥65,153mn (including ¥42,097mn for the acquisition of property, plant and equipment), and free cash flows resulted in negative ¥5,005mn. Additionally, cash flows from financing activities resulted in positive ¥5,259mn due to an increase in borrowings. As a result, cash and cash equivalents at the end of the fiscal year increased ¥804mn YoY to ¥36,828mn.

The equity ratio declined from 37.6% at the end of the previous fiscal year to 34.7%, mainly due to the increase in interest-bearing debt, resulting in a slight deterioration in the Company's financial position. However, as the recovery of invested capital is expected to progress with planned sales of some aircraft and engines during FY3/27, the equity ratio is forecast to improve in FY3/27. Borrowings for aircraft purchases are primarily in the form of non-recourse loans. The Company has accordingly mitigated its risk associated with such borrowings given that its repayments are determined solely based on cash flows from the Aircraft leasing business under agreement stipulating that it is to assume no repayment obligation beyond that scope. As yields are stable in the Aircraft leasing business and the mainstay Pachinko business is expected to head toward a recovery trend, financial risks are low, and an improvement trend is seen continuing over the medium to long term.

Consolidated financial condition

(¥mn)

| | End of FY3/24 | End of FY3/25 | End of FY3/26 | Change | Change items |
|---|---|---|---|---|---|
| Total assets | 366,045 | 349,386 | 382,248 | 32,862 | Cash and deposits (+804), aircraft, etc. (+26,188), gaming machines (+2,797), other property, plant and equipment (+187), right-of-use assets (+1,520) |
| Cash and deposits | 50,109 | 36,024 | 36,828 | 804 | |
| Total liabilities | 234,557 | 218,050 | 249,481 | 31,431 | Interest-bearing debt (+23,613), lease liabilities (+3,389), accounts payable and accrued expenses (+1,834) |
| Interest-bearing debt | 100,324 | 87,074 | 110,687 | 23,613 | |
| Interest-bearing debt (Japanese subsidiaries) | 51,661 | 43,367 | 46,892 | 3,525 | |
| Interest-bearing debt (Overseas subsidiaries) | 48,663 | 43,707 | 63,795 | 20,088 | |
| Total equity | 131,488 | 131,336 | 132,767 | 1,431 | Profit (-1,406), dividends paid (±0), other comprehensive income, etc. (+2,989) |
| Equity ratio | 35.9% | 37.6% | 34.7% | -2.9pp | |
| Net cash | -50,215 | -51,050 | -73,859 | -22,809 | |

Source: Prepared by FISCO from the Company's results briefing materials and annual report

Cash flow statements

(¥mn)

| | FY3/24 | FY3/25 | FY3/26 | Change | Change items |
|---|---|---|---|---|---|
| Cash flows from operating activities | 64,877 | 52,725 | 60,148 | 7,423 | Profit before income taxes (+3,975), depreciation (+41,757) |
| Cash flows from investing activities | -83,628 | -40,709 | -65,153 | -24,444 | Purchase of gaming machines (-34,397), M&A (-712), Purchase of aircraft, etc. (-24,160) |
| Free cash flows | -18,751 | 12,016 | -5,005 | -17,021 | |
| Cash flows from financing activities | 8,726 | -26,119 | 5,259 | 31,378 | Borrowings and repayments (+18,260), dividend payments (-3,482), repayments of lease liabilities (-9,188) |
| Cash and cash equivalents at end of period | 50,109 | 36,024 | 36,828 | 804 | |

Source: Prepared by FISCO from the Company's results briefing materials and annual report

# FY3/27 business strategy

## In FY3/27, the Company will work on recovering customer numbers and launching new businesses

### 1. Pachinko business

#### (1) Business strategy

As its business strategy for FY3/27, in the Pachinko business, the Company aims to restore profitability by continuing to implement customer payout measures and social media advertising promotions to recover customer numbers. The strategy involves covering the decline in gross profit margin caused by the customer payout measures through increases in the number of customers and ball fee revenue, thereby leading to an increase in revenue.

One factor behind the sluggish operating rate of pachinko machines in the previous fiscal year is believed to be the large number of new models emphasizing gambling appeal that were introduced to the market, creating a gap with customer needs. In fact, according to a survey conducted by an industry association, there is a growing demand for pachinko machine models that can be casually enjoyed as entertainment. Reflecting these voices, manufacturers are beginning to shift their policy toward developing new models that emphasize entertainment appeal. However, since the market introduction of these new models is expected to occur around the end of 2026 at the earliest, the Company plans to prioritize increasing the number of pachislot machines with high operating rates until then to maintain and expand revenue steadily.

**(2) Openings policy**

Regarding its hall opening plans, the Company's policy of making prudent decisions in consideration of its financial position remains unchanged, although it will continue to consider M&A for prime properties on sale. Based on this policy, one hall (Shuzenji hall) was acquired through M&A in April 2026. Although it is a small hall with 350 machines installed, it is the only pachinko hall in its commercial area and boasts a solid, community-based operating foundation. Its business was taken over by subsidiary Cabin Plaza Co., Ltd.

Regarding closures, six halls were closed by June 2026 (two in Aichi Prefecture, and one each in Osaka, Ishikawa, Toyama, and Kagawa prefectures). In rural areas where population decline is progressing, there are cases where decisions on whether to continue or close a hall are made in consultation with competitors in ways that allow both to achieve synergies. For the time being, the Company will prioritize recovering profitability per hall.

**(3) Outlook for expenses**

The Company expects gaming machine purchase costs as an operating expense in FY3/27 to be reduced by approximately 12 to 13% YoY. This is due to a policy of carefully selecting investments in established, popular machine models that can contribute to the steady expansion of ball fee revenue and stably secure gross profit per machine. Although the purchase amount itself will decrease, it is expected to turn to an increase on a depreciation basis due to the increase in purchases in the previous fiscal year. Utilities expenses are also expected to increase by several hundred million yen, due to the impact of higher crude oil prices and planned increases in electricity rates. On the other hand, regarding hall personnel expenses, the Company will maintain its policy of curbing increases by continuing to promote reductions in total working hours and the optimal allocation of personnel, accompanying a fundamental review of operations.

**(4) Characteristics and advantages of introducing smart gaming machines**

A feature of smart gaming machines introduced from November 2022 is that players can play without directly touching the medals or balls. Balls circulate within the machine for pachinko, while slot machines do not use medals. For both smart pachinko and slot machines, payout information is stored as electronic information. Also, gaming machine installation, payout, and other information is transmitted to and centrally managed by a gaming machine information center established by the gaming machine manufacturers association to promote the industry's soundness.

The advantages of smart gaming machines for users are that due to deregulation, the degree of freedom in developing gaming machines has increased, and the specifications have been significantly improved, increasing expectations for winning balls and medals, as well as game playability, and that machines do not require balls or medals. With this, users feel an increased sense of convenience as well as feel more secure in preventing the spread of infectious diseases.

In terms of merits for halls, carrying and washing balls and medals will be unnecessary, which will lead to a reduction in work for hall staff, and island equipment (equipment to replenish the rented balls, etc.) will be unnecessary. As a result, new halls' initial investment costs will decline, and existing halls' running costs will be reduced. Another point is that the increased freedom in hall layouts will create room to cultivate new customer segments by creating halls that are not bound by existing concepts.

For the overall pachinko hall industry, information on balls paid out is centrally managed by an external third-party organization. This enhances security, eradicates illegal games and helps to prevent addiction. By the industry becoming healthier, it is expected that the game-playing population will increase.

As of June 2026, the installation rate of smart gaming machines industry-wide is estimated to be in the 60% range for smart slots and the 20% range for smart pachinko machines, indicating that the adoption of smart pachinko machines is slightly slower than initially expected. For smart slots, the installation rate is expected to plateau in the 60% range for the time being since a certain percentage of "Juggler"-type machines, which use medals, will remain. For smart pachinko machines, on the other hand, a gradual increase is expected going forward. The direction toward replacing all machines with smart gaming machines in the future remains unchanged. The Company says it will continue to closely monitor trends in smart gaming machines and invest at the right times so as not to miss business opportunities.

**(5) New initiatives**

The Company has announced a policy of newly entering the Claw machine business through the newly established subsidiary, Next Play's, with the aim of improving profitability by effectively utilizing closed halls and personnel. Targeting families as its main demographic, it will roll out "Crane Mart," a supermarket-style claw machine specialty store where everyday necessities account for approximately 80% of the prizes. By aiming to fuse everyday purchasing behavior with amusement elements, the Company seeks to build new, community-based infrastructure hubs.

It plans to open three directly managed stores by September 2026 and will decide whether to open additional stores after assessing their initial profitability. The investment per store is assumed to be ¥400 to 500mn, with 130 to 150 claw game machines installed (the price per machine is approximately ¥1.5mn). According to operators that have already entered this market, some stores reportedly outperform pachinko halls in terms of operating revenue per store. Depending on future conditions, the Company may consider further expanding the number of directly managed stores. It cannot be denied that the current claw machine market has aspects of a temporary boom driven by media exposure, and attention must be paid to business risks such as a decline in popularity or a downturn in profitability due to intensifying competition.

In addition, as an effective use of closed halls, the Company has entered into leasing contracts with various industries and business formats, including other claw machine operators, food supermarkets, clothing manufacturers and sellers, trailer hotels, and convenience stores, thereby securing stable rental income. Rental income is included in other income, and the FY3/26 result was ¥983mn, an increase of ¥171mn YoY.

## The Aircraft leasing business plans to sell some aircraft and engines, and forecasts increases in revenue and profit

### 2. Aircraft leasing business

With the airline industry recovery continuing in the wake of the COVID-19 pandemic, the number of air passengers is poised to keep increasing from 2026 onward. With the prospect of expansion in short-haul traffic, demand for long-body, narrow-body aircraft (such as the AIRBUS A-320 series and Boeing B-737 series, etc.) is expected to increase as long-body aircraft can seat more passengers.

Under these circumstances, the Company plans to sell some of its aircraft and engines in FY3/27. For this reason, although lease income will decrease, increases in revenue and profit are anticipated due to the recording of gains on sales.

The basic policy going forward is to lease next-generation narrow-body aircraft equipped with fuel-efficient engines to highly creditworthy airlines with growth potential. The Company aims to achieve profit growth while also managing risk by diversifying its portfolio in terms of aircraft type and age, lease period, lessee airlines, and regions. As the Company's current holdings consist solely of AIRBUS aircraft, it is also considering acquiring Boeing aircraft. In the medium term, the Company's objective is to increase its fleet to 30 aircraft from 20 currently through its leasing and management services combined.

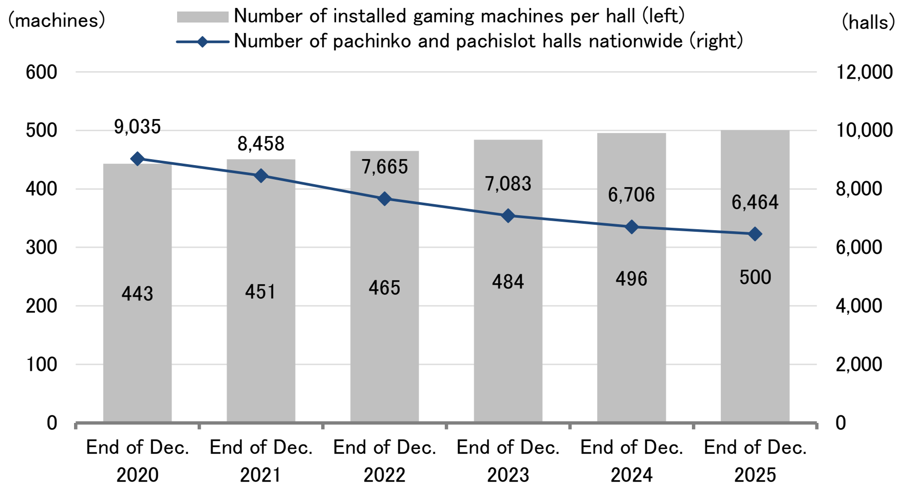
Furthermore, it will work on developing peripheral business related to aircraft leasing. Specifically, the Company aims to acquire fee income by offering the expertise it has accumulated to date (aircraft procurement, lease management, re-leasing, advice and proposals, and market trends and know-how) to third parties, in addition to providing the aircraft lease management services launched in FY3/24. While there is considerable interest in aircraft leasing among domestic investors, the price per aircraft is high, at just under ¥10.0bn. Therefore, the Company will proceed with selling engines (which are worth around ¥3.0bn) and will expand third-party services, such as intermediary services for lease assets sought by investors.

# Pachinko market trends and outlook going forward

## Aiming for a full-fledged return to a growth trajectory in 2027, which marks the 60th anniversary of the Company's founding

The pachinko market has continued to contract for a long time as leisure has become more diversified and regulations have been strengthened to suppress gambling appeal to counter addiction. In addition to operating conditions becoming even tougher during the COVID-19 pandemic, the introduction of smart gaming machines in 2022 increased demand for capital. This accelerated the closure of small and medium-sized halls lacking investment capacity. The number of pachinko and pachislot halls at the end of December 2025 was 6,464, a decrease of 242 from the previous year. This represents a decrease to 70% of the level compared to 2020. The number of gaming machines installed also stayed on a downtrend, declining 2.8% to the 3,234,000 for pachinko and pachislot machines combined. The decline is slowing from the peak in 2022, but still shows no signs of ending. The number of gaming machines installed per hall has continued to increase, from 443 at the end of December 2020 to 500 at the end of December 2025, indicating that the elimination of small and medium-sized halls is progressing.

**Trends in the number of gaming machines installed per hall and the number of halls**




Source: Prepared by FISCO from the National Police Agency's "Current Situation with Amusement and Entertainment Business and Situation with Policing Amusement and Entertainment-related Crime, etc. in 2025"

Industry-wide, the oligopoly of major companies with financial strength is further advancing. Although the number of halls operated by major companies has also been declining since 2020, the market share of the top five companies in terms of the number of halls rose from approximately 13% at the end of 2020 to approximately 16% at the end of 2025. Going forward, companies with the resources to operate large-scale halls, as well as those that have established low-cost operations like the Company, are expected to expand their market share and reap survivor benefits.

Incidentally, the Group's average number of machines installed per hall was 501 at the end of March 2026, on par with the industry average. This reflects its strategy for opening halls focused on large population centers in rural areas (commercial areas with populations of 30,000 to 50,000 people), and pursuit of multi-hall operations. Having many halls in rural areas where the population is declining rapidly is seen as a hindrance to the recovery of hall operating rates. However, as mentioned earlier, the number of users seeking pachinko machines that can be casually enjoyed is growing, which could be favorable for the Company, which has aimed to create halls that pursue entertainment. In particular, from 2027 onward, many new pachinko machine models that emphasize entertainment over gambling appeal are expected to be introduced. This is foreseen as a prime opportunity to recover operating rates and put the Pachinko business back on a growth track. As 2027 also marks the 60th anniversary of the Company's founding, a range of measures is being planned, and future developments will be closely watched.

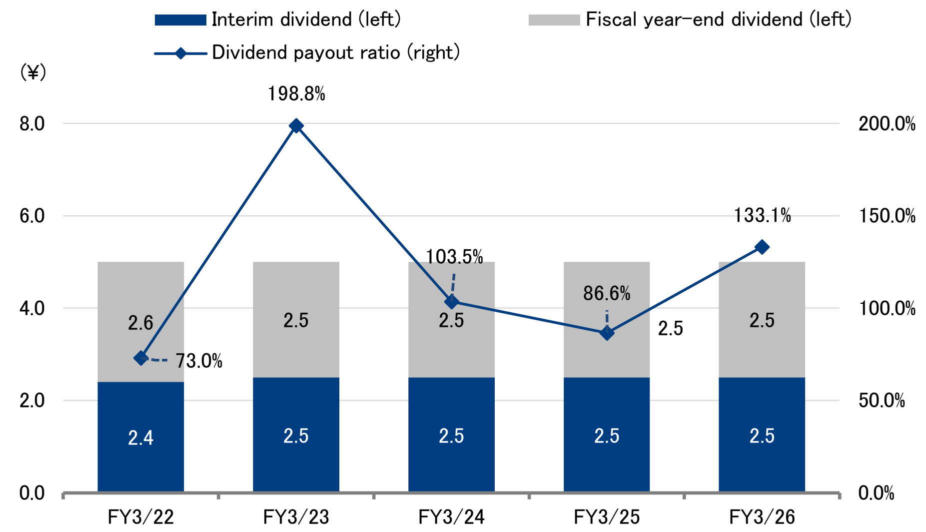
# Returns to shareholders

## Dividend per share in FY3/26 was ¥5.0, flat YoY

The Company emphasizes enhancing shareholder value, which is vital to sustainable corporate development, and is highly conscious of shareholder returns. Given this, its policy is to continue to pay stable dividends targeting a consolidated dividend payout ratio of at least 35%. It has also positioned share buybacks as one of its basic policies, and conducts them as appropriate.

For FY3/26, the Company decided to pay a dividend of ¥5.0 per share, the same as the previous fiscal year. The dividend payout ratio is 133.1%, exceeding 100%, but the Company maintains a policy of keeping the dividend amount unchanged, prioritizing stable dividends.

Trends in dividend per share and the dividend payout ratio




Source: Prepared by FISCO from the Company's results briefing materials and annual report

# ESG initiatives

## Promoting ESG activities based on international standards; expanding energy-saving halls and promoting disaster prevention agreements with local communities

The Company is continuing initiatives to increase value for all of its stakeholders, including investors, and has formulated clear policies from each of the perspectives of environment (E), social (S), and governance (G).

Under its corporate philosophy of “A centurial commitment to building trust and encouraging dreams,” the Company promotes ESG activities with the ideal of achieving perpetual growth. It discloses information in accordance with the latest international guidelines and the listing rules of the Hong Kong Stock Exchange in each category. Furthermore, details about the Company’s initiatives can be found on its website and in ESG Report 2025/2026. Amid the attention being focused on ESG investing, this is expected to fulfill an important role as a tool for dialogue with investors.

### 1. Environmental initiatives

Based on its recognition that global environmental problems are shared by all humans, the Group works proactively to address environmental issues, centered on climate change, and aims to reduce its environmental impact. In addition, the Company complies with environmental laws, regulations, and ordinances and practices continuous environmental management.

Economic activities are one of the causes of global environmental problems such as climate change, energy consumption, and pollution, and international targets have been set for global warming. With respect to business operations in a decarbonized society, the Group aims to reduce $CO_2$ emissions caused by excessive energy consumption by building wooden halls with a low environmental impact, and appropriately managing energy consumption (including energy-saving measures, installation of water-saving toilets, etc.), promoting green IT (digitization of documents, promotion of online meetings, etc.), systems to prevent waste and appropriately dispose of it (effective use and recycling of used gaming machines, wooden halls, recycling of general waste). As part of its energy-saving initiatives, in addition to promoting the introduction of BEMS, LED lighting, and energy-efficient air conditioning systems across all Group halls, the Company has also been installing solar power generation panels at its halls since around 2023. As of the end of December 2025, the installations have been completed at 41 halls, or roughly 10% of the total, covering approximately five million kWh of power generation annually, all of which is consumed by the halls themselves.

### 2. Social initiatives

The Group engages in initiatives aimed at “enhancing social value” through efforts targeting all stakeholders, including customers, communities, business partners, employees, and shareholders and investors.

To create the value of “pachinko as a form of daily entertainment,” the Company is undertaking a diverse range of initiatives aimed at enhancing social value. These include providing services from a customer perspective under its management policy of a customer-first approach, addressing addictive behavior, engaging in activities under the banner of “local infrastructure,” developing PB machines with gaming machine manufacturers, developing human resources including active participation by women, optimizing work-life balance and working styles, practicing health management, and holding briefings for investors.

Activities under the slogan of “local infrastructure” include supporting the independence of the elderly, promoting employment in the community, responding to natural disasters and backing recovery, as well as supporting sports and donating to regional revitalization projects through a corporate version of the furusato nozei (hometown tax system to support regional revitalization) system. Key achievements include concluding disaster prevention agreements with local governments at 306 halls (up from 279 at the end of the previous fiscal year), and deploying emergency toilet facilities at logistics centers nationwide. Other activities included lending out hall parking lots for major local events (such as the Omagari Fireworks Festival) and making ¥10.06mn in corporate furusato nozei (hometown tax) donations. In addition, the Company is engaged in health management, and in 2026, DYNAM Co., Ltd. received the designation as a Health and Productivity Management Outstanding Organization for the second consecutive year.

### 3. Governance initiatives

The Group has selected to be a “Company with a Nomination Committee, Etc.” and has established the three committees of the Nomination Committee, Remuneration Committee and Audit Committee. Under this company format, the Board of Directors and each of its member directors are responsible for decision-making and supervisory functions, while executive officers are responsible for business execution functions to clarify management decision-making and supervisory functions and business execution functions. In addition, the Group has established the Group Crisis Management Committee spanning across all Group companies to strengthen risk management throughout the organization, and has established a structure enabling rapid decision-making, information dissemination, and an appropriate response in the event of a crisis.

## Disclaimer



■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp