株式会社ダイナムジャパンホールディングス
DYNAM JAPAN HOLDINGS Co., Ltd.*
(incorporated in Japan with limited liability)
(Stock Code: 06889)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

HIGHLIGHTS

— Our gross pay-ins were ¥416,246 million (or HK$31,921 million$^{\Delta}$), recording a slight decrease of 0.2% as compared with the six months ended 30 September 2015;

— Our revenue was ¥79,808 million (or HK$6,120 million$^{\Delta}$), recording an increase of 5.2% as compared with the six months ended 30 September 2015;

— Our profit before income taxes was ¥6,635 million (or HK$509 million$^{\Delta}$), recording a decrease of 9.4% as compared with the six months ended 30 September 2015;

— Our net profit for the period attributable to owners of the Company was ¥3,860 million (or HK$296 million$^{\Delta}$), recording a decrease of 19.3% as compared with the six months ended 30 September 2015;

— We operated 444 halls as at 30 September 2016 (400 halls as at 30 September 2015);

— Basic earnings per share of the Company were ¥5.04 (or HK0.4^{\Delta}$); and

— The Board has resolved to declare an interim dividend of ¥6 per ordinary share.

$^{\Delta}$ Translated into Hong Kong dollars at the rate of ¥13.04 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

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

The board (the "Board") of directors (the "Directors") of 株式会社ダイナムジャパンホールディングス DYNAM JAPAN HOLDINGS Co., Ltd.* (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2016. The results have been reviewed by PricewaterhouseCoopers Aarata LLC, the Company's auditor and the Audit Committee.

* *For identification purposes only*

SUMMARY OF FINANCIAL RESULTS

	Six months ended 30 September			
	2016 (unaudited)		2015 (unaudited)	
	(in millions)			
	¥	*HK$*	*¥*	*HK$*
Gross pay-ins	**416,246**	**31,921**	417,104	26,945
Less: gross payouts	**(336,438)**	**(25,800)**	(341,261)	(22,045)
Revenue	**79,808**	**6,120**	75,843	4,899
Hall operating expenses	**(72,474)**	**(5,558)**	(68,855)	(4,448)
General and administrative expenses	**(2,692)**	**(206)**	(2,738)	(177)
Other income	**4,676**	**359**	3,644	235
Other operating expenses	**(1,110)**	**(85)**	(511)	(33)
Operating profit	**8,208**	**629**	7,383	477
Finance income	**173**	**13**	275	18
Finance expenses	**(1,746)**	**(134)**	(335)	(22)
Profit before income taxes	**6,635**	**509**	7,323	473
Income taxes	**(2,815)**	**(216)**	(2,539)	(164)
Net profit for the period	**3,820**	**293**	4,784	309
Net profit attributable to:				
Owners of the Company	**3,860**	**296**	4,784	309
Non-controlling interests	**(40)**	**(3)**	(0)	(0)
	3,820	**293**	4,784	309
Earnings per share				
Basic	**¥5.04**	**HK$0.4**	¥6.44	HK$0.4
Diluted	**¥5.04**	**HK$0.4**	¥6.44	HK$0.4
EBITDA(*)	**14,431**	**1,107**	13,170	851

* EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation and net foreign exchange gain or loss.

	30 September 2016 (unaudited)		31 March 2016 (audited)	
		(in millions)		
	¥	*HK$*	*¥*	*HK$*
Non-current assets	**146,697**	**11,250**	145,944	10,044
Current assets	**46,902**	**3,597**	43,240	2,976
Current liabilities	**35,994**	**2,760**	30,838	2,122
Net current assets	**10,908**	**837**	12,402	854
Total assets less current liabilities	**157,605**	**12,086**	158,346	10,898
Non-current liabilities	**23,645**	**1,813**	25,727	1,771
Total equity	**133,960**	**10,273**	132,619	9,127

BUSINESS OVERVIEW

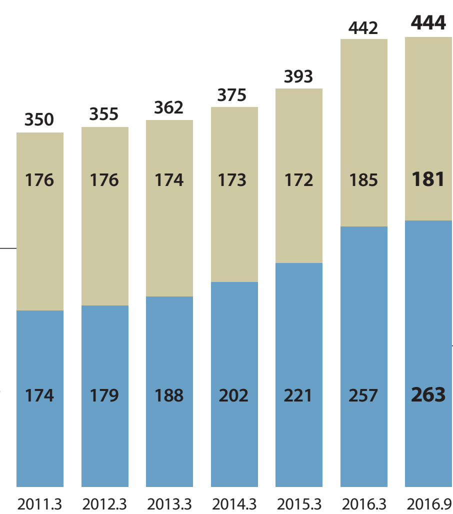
Number of Halls

The Group operates two types of halls with different gaming costs and focuses on promoting low playing cost games.

For the six months ended 30 September 2016, we opened 3 low playing cost halls. In addition, we closed 1 low playing cost hall in line with a change in our business areas. As a result, we had a total of 444 halls in operation as of 30 September 2016.

By hall type, we operate 181 high playing cost halls and 263 low playing cost halls, with low playing cost halls making up the majority at 59% of the total.

Changes in the number of halls of the Group (As at the end of March (except for "2016.9".)



High playing cost halls
Main hall brand: DYNAM
Most machines are high playing cost machines and smoking is allowed in the halls. This hall type includes 10 halls operated by Yume Corporation and 2 halls operated by Cabin Plaza.

Low playing cost halls
Main hall brand:
DYNAM *Yuttari Kan/*
DYNAM *Shinrai no Mori*
Machines are mainly low playing cost machines and there is a wide selection of general prizes. This hall type includes *Yuttari Kan*, where smoking is allowed in the halls, and *Shinrai no Mori*, where smoking is not allowed except in designated areas. They are comprised of 28 halls operated by Yume Corporation and 7 halls operated by Cabin Plaza.

Chain Store Management and Growth Strategy of the Group

As the top leader in terms of the number of halls, the Group aims for sustainable growth over the long term by implementing chain store management, which is one of our five management policies. Two strategies are crucial to chain store management: multiple hall development and low-cost operations focusing on low playing cost games.

Costs for users are reduced by setting ¥1-per-ball and ¥5-per-token games (as opposed to conventional ¥4-per-ball and ¥20-per-token games). Low playing cost games are designed to entertain customers without imposing a significant cost burden on them. These low playing cost games are also becoming popular at other pachinko companies.

Nevertheless, while low playing cost games lead to increased number of customers and increased visit frequency as well as acquisition of a new customer base, there is also a risk of decreased profitability at pachinko halls. Therefore, in order to implement low playing cost games, innovation and expertise are needed to ensure low-cost operations in every aspect of the business, from new hall development to hall operation.

The Group is able to achieve low-cost operations by reaping the benefits of economies of scale in purchasing game machines and general prizes and other aspects of the business through its multiple-hall model. Accordingly, the Group is in a strong and advantageous position to develop the pachinko hall operation business.

Multiple-hall development

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

■ ***Opening new standardized halls***

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

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

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

— *Standardizing hall specifications*

The Group standardizes the interior layout and installation number of gaming machines of the halls. This has enabled the Group to cut down initial investments, for example, by reducing the cost and period of construction.

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

As a rule of thumb, the Group constructs wood-frame halls on land leased for 20 years to avoid excessive investment in land purchases, so as to scrap the halls easily if market conditions change in the future. This also minimizes loss on retirement of assets because fixed-asset depreciation will be almost completed by the time the land lease expires in 20 years.

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

  Making the most of its advantage as a listed company, the Group implements schemes such as share exchanges to acquire other pachinko hall operators into the Group and expand its network of halls.

  As an example, the Company acquired Yume Corporation into the Group through share exchange on 1 November 2015.

  Yume Corporation is a leading company among approximately 3,500 pachinko hall operators in Japan. They have been operating 38 halls nationwide under "Yumeya" brand as of 30 September 2016. As the two companies committed to chain store management, the Group and Yume Corporation (we) will maximize the management resources we have developed and work together to increase our number of halls and industry market share as the Group.

Low-cost operations

The Group enjoys economies of scale to steadily accumulate revenues and profits. To this end, the Group has used second-hand gaming machines, established distribution centers, and utilized ICT systems to optimally control the operating cost of its halls.

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

  The Group not only installs the newest and most popular hit models of gaming machines, but also an array of second-hand ones procured at low cost in its halls.

  To control machine expenses (the procurement cost of gaming machines), 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. 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 while reducing the transportation expenses.

- ***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 in the halls by saving time for customers to keep track of their win and streamlining the work of hall staff.

  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.

FINANCIAL REVIEW

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

	Six months ended 30 September				
	2016 (unaudited)		2015 (unaudited)		
	(in millions, except for percentages)				
	¥	***HK$*[(1)]**	¥	*HK$*[(2)]	changes[(3)]
Gross pay-ins					
— High playing cost halls	**254,500**	**19,517**	269,133	17,386	-5.4%
— Low playing cost halls	**161,746**	**12,404**	147,971	9,559	+9.3%
Total gross pay-ins	**416,246**	**31,921**	417,104	26,945	-0.2%
Gross payouts					
— High playing cost halls	**213,239**	**16,353**	227,804	14,716	-6.4%
— Low playing cost halls	**123,200**	**9,448**	113,457	7,329	+8.6%
Total gross payouts	**336,438**	**25,800**	341,261	22,045	-1.4%
Revenue					
— High playing cost halls	**41,262**	**3,164**	41,328	2,670	-0.2%
— Low playing cost halls	**38,547**	**2,956**	34,515	2,230	+11.7%
Total revenue	**79,808**	**6,120**	75,843	4,899	+5.2%

(1) Translated into Hong Kong dollars at the rate of ¥13.04 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

(2) Translated into Hong Kong dollars at the rate of ¥15.48 to HK$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015).

(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.

During this interim period, the utilization of pachinko machines has shown downward trend and the pachinko hall operators have continued to face challenging business circumstances in the entire industry. On the other hand, low playing cost operations are steadily prevailing in the entire industry, and the number of customers at low playing cost halls tends to increase as the outcome of improved game environment to attract more customers to visit pachinko halls and enjoy easily.

Under such business environment, the Group implemented measures to improve the utilization of pachinko machines in our halls by setting up our halls from the customer's point of view such as conversion of hall type to cater our customers' needs, improvement of game environment by facility update, and corporate-wide sharing of successful cases at our pachinko halls.

As the infrastructure for the community, the Group is committed to expanding its market share by multiple hall development focusing on low playing cost halls for realizing the vision “Remaking Pachinko and Pachislot More Familiar National Pastime”.

During this interim period, the Group opened 3 new low playing cost halls, closed 1 hall as a result of reviewing commercial areas and converted 5 high playing cost halls to low playing cost halls and 1 low playing cost hall to high playing cost hall. Furthermore, we acquired Yume Corporation into the Group last November. Through such countermeasure, the number of halls as at the end of September 2016 became 444. By hall type, we operate 181 high playing cost halls and 263 low playing cost halls, with low playing cost halls making up the majority at 59% of the total.

As overall results of our efforts mentioned above, our total gross pay-ins for the six months ended 30 September 2016 was ¥416,246 million (equivalent to approximately HK$31,921 million), recording an approximately equivalent performance to the previous interim period of ¥417,104 million (equivalent to approximately HK$26,945 million). Also, our total revenue increased by approximately 5.2%* to ¥79,808 million (equivalent to approximately HK$6,120 million), performing steadily under the tough business environment.

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

GROSS PAY-INS

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

Our gross pay-ins were ¥417,104 million (equivalent to approximately HK$26,945 million) and ¥416,246 million (equivalent to approximately HK$31,921 million) for the six months ended 30 September 2015 and 2016 respectively.

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

Gross pay-ins for high playing cost halls decreased by ¥14,633 million (equivalent to approximately HK$1,122 million*), or 5.4%*, from ¥269,133 million (equivalent to approximately HK$17,386 million) for the six months ended 30 September 2015 to ¥254,500 million (equivalent to approximately HK$19,517 million) for the six months ended 30 September 2016. The decrease was primarily due to the decrease in utilization of our high playing cost machines and increased installation ratio of low playing cost machines.

Gross pay-ins for low playing cost halls increased by ¥13,775 million (equivalent to approximately HK$1,056 million*), or 9.3%*, from ¥147,971 million (equivalent to approximately HK$9,559 million) for the six months ended 30 September 2015 to ¥161,746 million (equivalent to approximately HK$12,404 million) for the six months ended 30 September 2016. The increase was due primarily to the addition of 37 halls compared with the end of the previous interim period through new hall openings, conversion of hall types from high playing cost halls, and acquisition of Yume Corporation into the Group.

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 ¥341,261 million (equivalent to approximately HK$22,045 million) and ¥336,438 million (equivalent to approximately HK$25,800 million) for the six months ended 30 September 2015 and 2016 respectively.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥14,565 million (equivalent to approximately HK$1,117 million*), or 6.4%*, from ¥227,804 million (equivalent to approximately HK$14,716 million) for the six months ended 30 September 2015 to ¥213,239 million (equivalent to approximately HK$16,353 million) for the six months ended 30 September 2016, which was in line with the decrease in gross pay-ins.

Gross payouts for low playing cost halls increased by ¥9,743 million (equivalent to approximately HK$747 million*), or 8.6%*, from ¥113,457 million (equivalent to approximately HK$7,329 million) for the six months ended 30 September 2015 to ¥123,200 million (equivalent to approximately HK$9,448 million) for the six months ended 30 September 2016. The increase was due primarily to the increase in gross pay-ins as a result of the addition of 37 halls.

REVENUE AND REVENUE MARGIN

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

Our revenue increased by ¥3,965 million (equivalent to approximately HK$304 million*), or 5.2%*, from ¥75,843 million (equivalent to approximately HK$4,899 million) for the six months ended 30 September 2015 to ¥79,808 million (equivalent to approximately HK$6,120 million) for the six months ended 30 September 2016.

Our revenue by hall type are as follows.

Revenue for high playing cost halls slightly decreased by ¥66 million (equivalent to approximately HK$5 million*), or 0.2%*, from ¥41,328 million (equivalent to approximately HK$2,670 million) for the six months ended 30 September 2015 to ¥41,262 million (equivalent to approximately HK$3,164 million) for the six months ended 30 September 2016. The decrease was primarily due to a decrease in gross pay-ins. The revenue margin for the six months ended 30 September 2016 increased by 0.8 points* to 16.2% as compared with the previous interim period, reflecting decreased ratio of gross payouts to gross pay-ins. The decrease in the ratio of gross payouts was a result of change in machine mix implemented as operational measures at our halls.

Revenue for low playing cost halls increased by ¥4,032 million (equivalent to approximately HK$309 million*), or 11.7%*, from ¥34,515 million (equivalent to approximately HK$2,230 million) for the six months ended 30 September 2015 to ¥38,547 million (equivalent to approximately HK$2,956 million) for the six months ended 30 September 2016. The revenue margin for the six months ended 30 September 2016 increased by 0.5 points* to 23.8% as compared with the previous interim period, reflecting decreased ratio of gross payouts to gross pay-ins. The decrease in the ratio of gross payouts was a result of change in machine mix implemented as operational measures at our low playing cost halls.

HALL OPERATING EXPENSES

Hall operating expenses for the six months ended 30 September 2016 were ¥72,474 million (equivalent to approximately HK$5,558 million), recording an increase by ¥3,619 million (equivalent to approximately HK$278 million*), or 5.3%* as compared to the previous interim period reflecting substantial increase in the number of halls including new hall openings and acquisition of Yume Corporation into the Group.

Our hall operating expenses by hall type are as follows.

Hall operating expenses for high playing cost halls decreased by ¥1,360 million (equivalent to approximately HK$104 million*), or 3.8%*, from ¥35,479 million (equivalent to approximately HK$2,292 million) for the six months ended 30 September 2015 to ¥34,119 million (equivalent to approximately HK$2,616 million) for the six months ended 30 September 2016 due primarily to reduced procurement of pachinko and pachislot machines. The average hall operating expenses per hall also decreased by 7.6% due primarily to reduced procurement of pachinko and pachislot machines.

Hall operating expenses for low playing cost halls increased by ¥4,979 million (equivalent to approximately HK$382 million*), or 14.9%*, from ¥33,376 million (equivalent to approximately HK$2,156 million) for the six months ended 30 September 2015 to ¥38,355 million (equivalent to approximately HK$2,941 million) for the six months ended 30 September 2016, due primarily to the increase in all expense accounts such as hall staff costs associated with addition of 37 halls compared with the end of the previous interim period. The average hall operating expenses per hall decreased by 1.2% due primarily to reduced procurement of pachinko and pachislot machines.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥46 million (equivalent to approximately HK$4 million*), or 1.7%*, from ¥2,738 million (equivalent to approximately HK$177 million) for the six months ended 30 September 2015 to ¥2,692 million (equivalent to approximately HK$206 million) for the six months ended 30 September 2016. The decrease was primarily due to the outcome of improved productivity such as cost reduction.

OTHER INCOME

Other income for the six months ended 30 September 2015 and 2016 were ¥3,644 million (equivalent to approximately HK$235 million) and ¥4,676 million (equivalent to approximately HK$359 million), respectively. The increase was primarily attributable to the increased sales from property held for sale and increased commission income from vending machines and in-store sales, and increased rental income.

OTHER OPERATING EXPENSES

Other operating expenses increased by ¥599 million (equivalent to approximately HK$46 million*), or 117.2%*, from ¥511 million (equivalent to approximately HK$33 million) for the six months ended 30 September 2015 to ¥1,110 million (equivalent to approximately HK$85 million) for the six months ended 30 September 2016. The increase was primarily attributable to increased sales cost of property held for sale, increased rental cost, and increased amount of the impairment loss on disposal of property, plant and equipment recognized for this interim period.

FINANCE INCOME

Finance income decreased by ¥102 million (equivalent to approximately HK$8 million*), from ¥275 million (equivalent to approximately HK$18 million) for the six months ended 30 September 2015 to ¥173 million (equivalent to approximately HK$13 million) for the six months ended 30 September 2016. The decrease was primarily attributable to the net exchange gain recognized for the previous interim period.

FINANCE EXPENSES

Finance expenses increased by ¥1,411 million (equivalent to approximately HK$108 million*), from ¥335 million (equivalent to approximately HK$22 million) for the six months ended 30 September 2015 to ¥1,746 million (equivalent to approximately HK$134 million) for the six months ended 30 September 2016. The increase was primarily attributable to the net exchange loss recognized for this interim period.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 September 2016

	Note	Six months ended 30 September 2016 ¥ million (unaudited)	2015 ¥ million (unaudited)
Revenue	*4*	**79,808**	75,843
Hall operating expenses	*5*	**(72,474)**	(68,855)
General and administrative expenses		**(2,692)**	(2,738)
Other income	*6*	**4,676**	3,644
Other operating expenses	*7*	**(1,110)**	(511)
Operating profit		**8,208**	7,383
Finance income	*8*	**173**	275
Finance expenses	*9*	**(1,746)**	(335)
Profit before income taxes		**6,635**	7,323
Income taxes	*10*	**(2,815)**	(2,539)
Net profit for the period		**3,820**	4,784
Attributable to:			
Owners of the Company		**3,860**	4,784
Non-controlling interests		**(40)**	(0)
		3,820	4,784
Earnings per share			
Basic (expressed in ¥)	*15*	**5.04**	6.44
Diluted (expressed in ¥)	*15*	**5.04**	6.44

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Note	Six months ended 30 September 2016 ¥ million (unaudited)	2015 ¥ million (unaudited)
Net profit for the period		**3,820**	4,784
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income		**2,599**	(4,937)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		**27**	172
		2,626	(4,765)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(662)**	(50)
		(662)	(50)
Other comprehensive income/(loss) for the period, net of tax		**1,964**	(4,815)
Total comprehensive income/(loss) for the period		**5,784**	(31)
Attributable to:			
Owners of the Company		**5,813**	(31)
Non-controlling interests		**(29)**	(0)
		5,784	(31)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Note	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
Non-current assets			
Property, plant and equipment	*11*	**108,302**	109,532
Investment properties		**1,880**	2,179
Intangible assets		**3,939**	3,991
Financial assets measured at fair value through other comprehensive income		**7,901**	6,479
Deferred tax assets		**12,054**	11,229
Other non-current assets		**12,621**	12,534
		146,697	145,944
Current assets			
Inventories		**4,077**	3,580
Trade receivables	*12*	**486**	459
Prizes in operation of pachinko halls		**4,953**	4,916
Other current assets		**4,600**	6,151
Cash and cash equivalents		**32,786**	28,134
		46,902	43,240
TOTAL ASSETS		**193,599**	189,184
Current liabilities			
Trade and other payables	*13*	**18,581**	17,786
Borrowings		**4,242**	2,369
Finance lease payables		**57**	86
Provisions		**1,881**	1,731
Income taxes payables		**3,894**	2,497
Other current liabilities		**7,339**	6,369
		35,994	30,838
Net current assets		**10,908**	12,402
Total assets less current liabilities		**157,605**	158,346

	Note	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
Non-current liabilities			
Deferred tax liabilities		**30**	20
Borrowings		**16,501**	18,394
Finance lease payables		**106**	126
Retirement benefit obligations		**242**	243
Other non-current liabilities		**1,479**	1,685
Provisions		**5,287**	5,259
		23,645	25,727
NET ASSETS		**133,960**	132,619
Capital and reserves			
Share capital		**15,000**	15,000
Capital reserve		**12,741**	12,883
Treasury shares		**–**	(289)
Retained earnings		**109,523**	110,253
Other component of equity		**(3,249)**	(5,202)
Equity attributable to owners of the Company		**134,015**	132,645
Non-controlling interests		**(55)**	(26)
TOTAL EQUITY		**133,960**	132,619

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

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 A1, 32nd Floor, United Centre, 95 Queensway, Admiralty, 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 of 30 September 2016 consist of the Company and its subsidiaries (the "Group"). The principal activities of the Group are operations of pachinko halls and services subordinated to the operation.

The interim condensed consolidated financial information was approved and authorized for issuance by the Board of Directors on 24 November 2016.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2016 has been prepared in accordance with IAS 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Adoption of new and revised International Financial Reporting Standards

Significant accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2016 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2016 except for the following.

— IFRSs (Amendment), 'Annual Improvements to IFRSs 2012–2014 Cycle'
— IFRS10 and IAS28 (Amendment), Clarification on investment entities applying the consolidation exception
— IAS1 (Amendment), Disclosure Initiative'
— IAS16 and IAS38 (Amendment), Clarification of Acceptable Methods of Depreciation and Amortisation
— IAS 19 Clarification of employee benefits
— IAS34 (Amendment), Interim Financial Reporting

The application of the above amendments to IFRSs in the six months ended 30 September 2016 has not had a material impact on the Group's results of operations and financial position.

3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial information are the same as those of the consolidated financial information for the year ended 31 March 2016, 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. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group has carried on a single business geographical location, which is the operations of pachinko halls and those related services in Japan, and all the assets are principally located in Japan. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

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

REVENUE

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Gross pay-ins	**416,246**	417,104
Less: Gross payouts	**(336,438)**	(341,261)
Revenue	**79,808**	75,843

5. HALL OPERATING EXPENSES

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Advertising expenses	**2,617**	2,543
Cleaning and ancillary services	**1,921**	1,757
Depreciation charges expenses	**5,667**	5,228
G-prize expenses	**2,657**	1,194
Hall staff costs	**25,070**	23,034
Pachinko and pachislot machine expenses	**17,074**	19,156
Rental expenses	**6,461**	5,662
Repair and maintenance expenses	**1,851**	2,128
Utilities expenses	**3,270**	3,147
Others	**5,886**	5,006
	72,474	68,855

6. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Commission from vending machines and in-store sales	**2,400**	2,091
Income from forfeiture of customer's membership cards	**118**	124
Income from catering services	**300**	258
Sales from property held for sale	**480**	312
Net gains on disposals of used machines	**210**	242
Rental income	**458**	278
Others	**710**	339
	4,676	3,644

7. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Loss on disposal of non-financial assets	**274**	136
Impairment loss of non-financial assets	**43**	43
Cost of sales of property held for sale	**245**	148
Rental cost	**257**	103
Others	**291**	81
	1,110	511

8. FINANCE INCOME

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Bank interest income	**6**	5
Dividend income	**119**	126
Foreign exchange gains, net	**–**	89
Others	**48**	55
	173	275

9. FINANCE EXPENSES

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Interest expenses	**140**	88
Amortization of syndicated bank loan charges	**124**	206
Foreign exchange loss, net	**1,439**	–
Others	**43**	41
	1,746	335

10. INCOME TAXES

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

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Current taxes	**3,606**	3,019
Deferred taxes	**(791)**	(480)
	2,815	2,539

11. COMMITMENTS

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

	At 30 September 2016	At 31 March 2016
	¥ million	*¥ million*
	(unaudited)	(audited)
Capital commitment for purchase of property, plant and equipment	**912**	204
	912	204

12. 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 dates is as follows:

	At 30 September 2016	At 31 March 2016
	¥ million	*¥ million*
	(unaudited)	(audited)
1 to 30 days	**482**	432
31 to 60 days	**1**	23
Over 60 days	**3**	4
	486	459

13. TRADE AND OTHER PAYABLES

	At 30 September 2016 *¥ million* **(unaudited)**	At 31 March 2016 *¥ million* (audited)
Trade payables	**1,682**	1,432
Halls construction and system payables	**2,055**	2,438
Other tax expenses	**1,736**	2,492
Pachinko and pachislot machine payables	**3,618**	2,340
Accrued staff costs	**8,202**	8,102
Others	**1,288**	982
	18,581	17,786

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

	At 30 September 2016 *¥ million* **(unaudited)**	At 31 March 2016 *¥ million* (audited)
1 to 30 days	**1,627**	1,372
31 to 60 days	**14**	11
Over 60 days	**41**	49
	1,682	1,432

14. DIVIDENDS

During the six months ended 30 September 2016 and 2015, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

	Six months ended 30 September			
	2016		2015	
Dividends declared and paid/ payable to its shareholders by:	**Dividend per share ¥**	**Total Dividends *¥ million* (unaudited)**	Dividend per share ¥	Total Dividends *¥ million* (unaudited)
Final dividend paid	**6.00**	**4,590**	7.00	5,200
		4,590		5,200

On 24 November 2016, the Board of Directors declared an interim dividend of ¥6.00 per ordinary share of the Company, which is payable on 13 January 2017 to the shareholders of the Company.

15. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share	**3,860**	4,784
Weighted average number of shares	**765,007,753**	742,850,360
Basic earnings per share (¥)	**5.04**	6.44

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2016 and 2015 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2016 and 2015.

CORPORATE GOVERNANCE

The Company is committed to the principles of consistent corporate governance and corporate responsibility. The Board believes that such commitment will in the long term serve to enhance Shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the Code included in the Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all applicable code provisions set out in the Code except for the following deviation.

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive should be performed by different individuals.

However, the Board believes that Mr. Kohei SATO, in his dual capacity as the Chairman of the Board and the Chief Executive Officer, will provide strong and consistent leadership for the development of the Company and its subsidiaries, and this will be beneficial in the interests of the Company and its Shareholders. Further, the Board considers that a balance of power and authority can be ensured by the current Board composition, with over half of the Board members being independent non-executive Directors.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting should be sent to its shareholders by the issuer at least 20 clear business days before the meeting. The AGM for the year ended 31 March 2016 was held on 23 June 2016, while the AGM notice was despatched on 31 May 2016. The above arrangement complied with the Articles of Incorporation prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) but the AGM notice period was less than 20 clear business days before the AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2016). The Companies Act also requires the notice for the AGM to be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise the annual report which accompanied the AGM notice despatched to the Shareholders.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules and the "Rules on Prevention of Insider Dealings" as a code of conduct of the Company regarding Directors' transactions of the listed securities of the Company. The "Rules on Prevention of Insider Dealings", in addition to the Model Code ,has been formulated and adopted by the Company at 1 April 2014 for Directors and employees of the Company who are likely to have access to unpublished inside information of the Group. 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 AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Ichiro TAKANO (chairman), Mr. Thomas Chun Kee YIP and Mr. Eisho KUNITOMO. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of financial reporting process, risk management and internal control systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee also monitors the Directors in fulfilling their fiduciary duties.

The Audit Committee held 8 meetings during the Reporting Period with an attendance rate of 100%. The results for the six months ended 30 September 2016 have been reviewed by the Audit Committee.

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

PricewaterhouseCoopers Aarata (with its name changed to PricewaterhouseCoopers Aarata LLC with effect from 1 July 2016) has been reappointed as the auditor of the Company at the fifth AGM on 23 June 2016.

INTERIM DIVIDENDS

The Board declared an interim dividend of ¥6 per ordinary Share in respect of the six months ended 30 September 2016, payable on 13 January 2017 to Shareholders whose names appear on the Company's share register as at the close of business on 12 December 2016. Based on the assumption that 765,985,896 Shares shall be in issue as at 12 December 2016, it is expected that the interim dividend payable will amount to approximately ¥4,596 million (equivalent to approximately HK$352 million). Up to the date of this announcement, no Shareholder has waived or agreed to waive any dividends.

The exchange rate for the conversion of Japanese yen to Hong Kong dollars for the dividend to be distributed to Shareholders in the currency other than Japanese yen was based on the average currency rates prevailing five business days immediately before 24 November 2016 (being 16 to 18 and 21 to 22 November 2016).

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

The Company repurchased 844,200 Shares from 29 March to 31 March 2016 and these Shares were cancelled on 28 April 2016. In addition, Yume Corporation, our subsidiary, sold 1,000,000 Shares during the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dyjh.co.jp). The interim report of the Company for the six months ended 30 September 2016 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the aforesaid websites in due course.

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this announcement, certain amounts denominated in Japanese yen are translated into Hong Kong dollars at the rates (as the case may be) described below:

1. ¥13.04 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

2. ¥15.48 to HK$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015).

3. ¥14.53 to HK$1.00, the exchange rate prevailing on 31 March 2016 (i.e. the last business day in March 2016).

No representation is made that the amounts in Japanese yen 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"AGM"	annual general meeting of the Company
"Articles of Incorporation"	Articles of Incorporation of the Company as amended and supplemented from time to time
"Audit Committee"	audit committee of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"Cabin Plaza"	Cabin Plaza Co., Ltd.* (株式会社キャビンプラザ), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act (registration number 3800-01-019664) on 25 May 1988. Cabin Plaza is a wholly-owned subsidiary of the Company
"Chief Executive Officer"	chief executive officer of the Company
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act"	the Companies Act of Japan* (kaisha hou 会社法) (Act No. 86 of 2005, as amended)
"Company"	DYNAM JAPAN HOLDINGS Co., Ltd.* (株式会社ダイナムジャパンホールディングス), a stock company (kabushikigaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 20 September 2011 (registration number 0115-01-017114)
"Director(s)"	the director(s) of the Company
"general prize"	any prize offered by a pachinko hall that is not a G-prize
"G-prize"	a decorative plastic card with a small embedded piece of gold or silver or a small coin-shaped pendant of gold or silver

"gross pay-ins"	the amount received from pachinko balls and pachislot tokens rented to customers less unutilized balls and tokens
"gross payouts"	the aggregate costs of G-prizes and general prizes exchanged by customers for pachinko balls or pachislot tokens collected at halls
"Group"	the Company and its subsidiaries at the relevant time
"high playing cost halls"	our hall type primarily featuring high playing cost machines and mainly operating under the brand of DYNAM and including Yume Corporation halls and Cabin Plaza halls
"high playing cost machines"	pachinko machines with a playing cost of 4-yen per pachinko ball and pachislot machines with a playing cost of 20-yen per pachislot token
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ICT"	information and communication technology
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
"individual ball counter system"	the system for counting balls and tokens introduced at each machine at each of our halls, which enables us to manage pachinko ball and pachislot token numbers at each machine. Use of this system eliminates the need for customers to stack and carry boxes of balls they earn during game play and also reduces work volume and work hours for pachinko hall staff. This has led to reduced personnel expenses and improved personnel productivity at our halls
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)

"low playing cost halls"	our hall type primarily featuring low playing cost machines and mainly operating under the brand of *Yuttari Kan* and *Shinrai no Mori*, and including Yume Corporation halls and Cabin Plaza halls
"low playing cost machines"	pachinko machines with playing costs less than 4-yen per pachinko ball and pachislot machines with playing costs of less than 20-yen per pachislot token
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"our", "we", or "us"	the Company, or where the context requires, the Company and its subsidiaries collectively
"pachinko balls" or "balls"	small metal balls used to play pachinko games
"pachislot tokens" or "tokens"	small metal tokens used to play pachislot games
"PRC"	The People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
"Reporting period"	the period from 1 April 2016 to 30 September 2016
"Share(s)"	ordinary share(s) in the issued share capital of the Company
"Shareholder"	holder(s) of the issued share(s)
"*Shinrai no Mori*" (信頼の森)	our pachinko hall brand and hall type featuring primarily low playing cost machines in a non-smoking environment with reduced noise levels, space for players to relax and socialise, and a larger selection of general prizes

"Yume Corporation"	Yume Corporation Co., Ltd.* (夢コーポレーション株式会社), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 14 December 1970. It has become a wholly-owned subsidiary of the Company under the scheme of the share exchange on 1 November 2015
"*Yuttari Kan*" (ゆったり館)	our pachinko hall brand and hall type featuring primarily low playing cost machines

Note: Translated English names of Japanese natural persons, legal persons, government authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purpose only.

By order of the Board
株式会社ダイナムジャパンホールディングス
(DYNAM JAPAN HOLDINGS Co., Ltd.*)
Kohei SATO
Chairman of the Board

Tokyo, Japan, 24 November 2016

As of the date of this announcement, the executive Directors are Mr. Kohei SATO and Mr. Haruhiko MORI, and the non-executive Directors are Mr. Yoji SATO and Mr. Noriaki USHIJIMA and the independent non-executive Directors are Mr. Ichiro TAKANO, Mr. Mitsutoshi KATO, Mr. Thomas Chun Kee YIP, Mr. Eisho KUNITOMO and Mr. Kei MURAYAMA.

* *For identification purpose only*