# DYNAM JAPAN HOLDINGS Co., Ltd.

*(incorporated in Japan with limited liability)*

**(Stock Code: 06889)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

**HIGHLIGHTS**

— Our gross pay-ins were ¥386,840 million (or HK$26,624 million[Δ]), recording a decrease of 2.6% as compared with the six months ended 30 September 2017;

— Our revenue was ¥73,583 million (or HK$5,064 million[Δ]), recording a decrease of 4.7% as compared with the six months ended 30 September 2017;

— Our profit before income tax was ¥12,411 million (or HK$854 million[Δ]), recording an increase of 47.6% as compared with the six months ended 30 September 2017;

— Our net profit for the period attributable to owners of the Company was ¥8,340 million (or HK$574 million[Δ]), recording an increase of 53.6% as compared with the six months ended 30 September 2017;

— We operated 450 halls as at 30 September 2018 (450 halls as at 30 September 2017);

— Basic earnings per share of the Company were ¥10.89 (or HK$0.7[Δ]); and

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

Δ Translated into Hong Kong dollars at the rate of ¥14.53 to HK$1.00, the exchange rate prevailing on 28 September 2018 (i.e. the last business day in September 2018).

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

The board (the “Board”) of directors (the “Directors”) of DYNAM JAPAN HOLDINGS Co., Ltd. (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2018. The results have been reviewed by PricewaterhouseCoopers Aarata LLC, the Company’s auditor and the audit committee of the Company (the “Audit Committee”).

## SUMMARY OF FINANCIAL RESULTS

| | Six months ended 30 September | | | |
|---|---|---|---|---|
| | **2018 (unaudited)** | | 2017 (unaudited) | |
| | **(in millions)** | | | |
| | **¥** | ***HK$*** | ¥ | *HK$* |
| Gross pay-ins | **386,840** | **26,624** | 397,217 | 27,521 |
| Less: gross payouts | **(313,257)** | **(21,559)** | (319,916) | (22,170) |
| Revenue | **73,583** | **5,064** | 77,211 | 5,351 |
| Hall operating expenses | **(62,452)** | **(4,298)** | (69,706) | (4,831) |
| General and administrative expenses | **(2,241)** | **(154)** | (2,445) | (169) |
| Other income | **4,764** | **328** | 4,441 | 308 |
| Other operating expenses | **(1,386)** | **(95)** | (779) | (54) |
| Operating profit | **12,268** | **844** | 8,722 | 604 |
| Finance income | **322** | **22** | 146 | 10 |
| Finance expenses | **(179)** | **(12)** | (462) | (32) |
| Profit before income taxes | **12,411** | **854** | 8,406 | 583 |
| Income taxes | **(4,086)** | **(281)** | (2,972) | (206) |
| Net profit for the period | **8,325** | **573** | 5,434 | 377 |
| Net profit attributable to: | | | | |
| Owners of the Company | **8,340** | **574** | 5,430 | 376 |
| Non-controlling interests | **(15)** | **(1)** | 4 | ∆ |
| | **8,325** | **573** | 5,434 | 377 |
| Earnings per share | | | | |
| Basic | **¥10.89** | **HK$0.7** | ¥7.09 | HK$0.5 |
| Diluted | **¥10.89** | **HK$0.7** | ¥7.09 | HK$0.5 |
| EBITDA(*) | **18,049** | **1,242** | 14,783 | 1,024 |

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

∆ Less than 0.5 million.

| | **30 September 2018 (unaudited)** | | 31 March 2018 (audited) | |
|---|---|---|---|---|
| | **(in millions)** | | | |
| | **¥** | ***HK$*** | ¥ | *HK$* |
| Non-current assets | **130,739** | **8,998** | 131,826 | 9,736 |
| Current assets | **56,576** | **3,894** | 53,145 | 3,925 |
| Current liabilities | **37,754** | **2,598** | 39,643 | 2,928 |
| Net current assets | **18,822** | **1,295** | 13,502 | 997 |
| Total assets less current liabilities | **149,561** | **10,293** | 145,328 | 10,733 |
| Non-current liabilities | **7,293** | **502** | 7,813 | 577 |
| Total equity | **142,268** | **9,791** | 137,515 | 10,156 |

## BUSINESS OVERVIEW

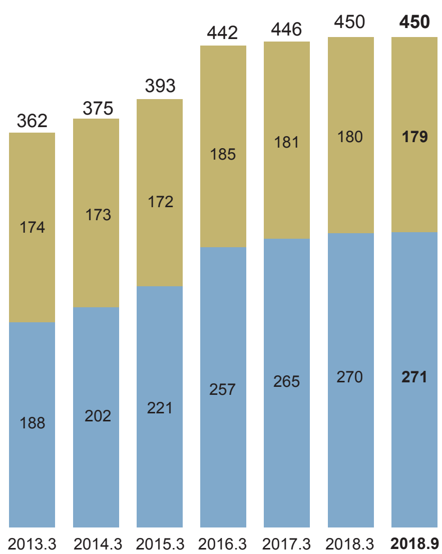
### Number of Halls

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

In the six months ended 30 September 2018, we opened 1 low playing cost hall. In addition, we closed 1 low playing cost hall in line with a change in our business areas. Also, we converted 2 high playing cost halls to low playing cost halls, and 1 low playing cost hall to high playing cost hall. As a result, we had a total of 450 halls in operation as of 30 September 2018.

By hall type, we operate 179 high playing cost halls and 271 low playing cost halls, with low playing cost halls making up the majority at 60% of the total.

### Changes in the number of halls of the Group




As at the end of March
(except for "2018.9".)

**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, *Shinrai no Mori*, where smoking is not allowed except in designated areas. It is comprised of 26 halls operated by Yume Corporation and 6 halls operated by Cabin Plaza.

## Chain Store Management and Growth Strategy of the Group

The Group will maximize leverage of its position as the pachinko industry's leading company in terms of the number of pachinko halls and will steadily accumulate profits over the long term through multiple-hall development and low cost operations.

One of the Group's management policies is implementing chain store management. Chain store theory is to maximize profit with low cost operation, which means that greater the expansion in the number of halls, the more profit and the greater ratio of return to customers. Dynam, our wholly-owned subsidiary, was the pioneer which introduced the chain store management theory to the industry.

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

### Multiple-hall development

The Group is implementing multiple-hall development based on its theory of chain store operations by opening new standardized halls and acquiring 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 investment costs 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.

**Low-cost operations**

By reaping the benefits of the economies of scale, the Group has used second-hand gaming machines, established distribution centers and leveraged ICT* to streamline hall operations and optimize major costs such as gaming machine and personnel expenses, which account for approximately 60% of hall operating expenses.

- ***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. The Group has established 16 distribution centers throughout Japan, each of which covers the logistical needs and facilitates the sharing of gaming machines among 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.

- ***Use of ICT systems***

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

* *Information and communication technology*

## 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** | | | | |
|---|---|---|---|---|---|
| | **2018 (unaudited)** | | 2017 (unaudited) | | |
| | **(in millions, except for percentages)** | | | | |
| | **¥** | ***HK$*[1]** | ¥ | *HK$*[2] | changes[3] |
| **Gross pay-ins** | | | | | |
| — High playing cost halls | **222,935** | **15,343** | 234,204 | 16,230 | –4.8% |
| — Low playing cost halls | **163,905** | **11,280** | 162,923 | 11,291 | +0.6% |
| Total gross pay-ins | **386,840** | **26,624** | 397,127 | 27,521 | –2.6% |
| **Gross payouts** | | | | | |
| — High playing cost halls | **186,135** | **12,810** | 194,714 | 13,494 | –4.4% |
| — Low playing cost halls | **127,122** | **8,749** | 125,202 | 8,677 | +1.5% |
| Total gross payouts | **313,257** | **21,559** | 319,916 | 22,170 | –2.1% |
| **Revenue** | | | | | |
| — High playing cost halls | **36,800** | **2,533** | 39,490 | 2,737 | –6.8% |
| — Low playing cost halls | **36,783** | **2,532** | 37,721 | 2,614 | –2.5% |
| Total revenue | **73,583** | **5,064** | 77,211 | 5,351 | –4.7% |

(1) Translated into Hong Kong dollars at the rate of ¥14.53 to HK$1.00, the exchange rate prevailing on 28 September 2018 (i.e. the last business day in September 2018).

(2) Translated into Hong Kong dollars at the rate of ¥14.43 to HK$1.00, the exchange rate prevailing on 29 September 2017 (i.e. the last business day in September 2017).

(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 pachinko hall industry has continued to operate under a severe business environment.

Under such business environment, the Group has made efforts to grow and develop with local communities and to improve the machine utilisation through various together business measures under the important policies of setting up our halls from the customers' viewpoints and operating each of our halls with a focus on customers' needs.

As the infrastructure for the community, the Group is committed to multiple hall development focusing on low playing cost halls for realizing the vision "Remaking Pachinko and Pachislot More Familiar National Pastime".

The total number of halls as at the end of September 2018 became 450. By hall type, we operate 179 high playing cost halls and 271 low playing cost halls, with low playing cost halls making up the 60% of the total.

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

Our gross pay-ins was ¥397,127 million (equivalent to approximately HK$27,521 million) and ¥386,840 million (equivalent to approximately HK$26,624 million) for the six months ended 30 September 2017 and 2018 respectively.

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

Gross pay-ins for high playing cost halls decreased by ¥11,269 million (equivalent to approximately HK$776 million), or 4.8%*, from ¥234,204 million (equivalent to approximately HK$16,230 million) for the six months ended 30 September 2017 to ¥222,935 million (equivalent to approximately HK$15,343 million) for the six months ended 30 September 2018. The decrease was primarily due to the decrease in utilisation of our high playing cost machines.

Gross pay-ins for low playing cost halls increased by ¥982 million (equivalent to approximately HK$68 million), or 0.6%*, from ¥162,923 million (equivalent to approximately HK$11,291 million) for the six months ended 30 September 2017 to ¥163,905 million (equivalent to approximately HK$11,280 million) for the six months ended 30 September 2018. The increase was due primarily to the recovery in utilisation of our low playing cost machines as the outcome of our efforts in operation measures.

**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 ¥319,916 million (equivalent to approximately HK$22,170 million) and ¥313,257 million (equivalent to approximately HK$21,559 million) for the six months ended 30 September 2017 and 2018 respectively.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥8,579 million (equivalent to approximately HK$590 million), or 4.4%*, from ¥194,714 million (equivalent to approximately HK$13,494 million) for the six months ended 30 September 2017 to ¥186,135 million (equivalent to approximately HK$12,810 million) for the six months ended 30 September 2018, which was in line with the decrease in gross pay-ins.

Gross payouts for low playing cost halls increased by ¥1,920 million (equivalent to approximately HK$132 million), or 1.5%*, from ¥125,202 million (equivalent to approximately HK$8,677 million) for the six months ended 30 September 2017 to ¥127,122 million (equivalent to approximately HK$8,749 million) for the six months ended 30 September 2018. The increase was due primarily to the increase in gross pay-ins.

**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 decreased by ¥3,628 million (equivalent to approximately HK$250 million), or 4.7%*, from ¥77,211 million (equivalent to approximately HK$5,351 million) for the six months ended 30 September 2017 to ¥73,583 million (equivalent to approximately HK$5,064 million) for the six months ended 30 September 2018.

Our revenue by hall type are as follows.

Revenue for high playing cost halls decreased by ¥2,690 million (equivalent to approximately HK$185 million), or 6.8%*, from ¥39,490 million (equivalent to approximately HK$2,737 million) for the six months ended 30 September 2017 to ¥36,800 million (equivalent to approximately HK$2,533 million) for the six months ended 30 September 2018. The decrease was primarily due to a decrease in utilisation of our high playing cost machines. The revenue margin for the six months ended 30 September 2018 decreased by 0.4 points to 16.5% as compared with the previous interim period.

Revenue for low playing cost halls decreased by ¥938 million (equivalent to approximately HK$65 million), or 2.5%*, from ¥37,721 million (equivalent to approximately HK$2,614 million) for the six months ended 30 September 2017 to ¥36,783 million (equivalent to approximately HK$2,532 million) for the six months ended 30 September 2018. The decrease was primarily due to the increased ratio of gross payouts to gross pay-ins. The revenue margin for the six months ended 30 September 2018 decreased by 0.8 points to 22.4% as compared with the previous interim period.

**Hall operating expenses**

Hall operating expenses for the six months ended 30 September 2018 was ¥62,452 million (equivalent to approximately HK$4,298 million), recording a decrease by ¥7,254 million (equivalent to approximately HK$499 million), or 10.4%* as compared to the previous interim period.

Our hall operating expenses by hall type are as follows.

Hall operating expenses for high playing cost halls decreased by ¥3,188 million (equivalent to approximately HK$219 million), or 10.0%*, from ¥31,762 million (equivalent to approximately HK$2,201 million) for the six months ended 30 September 2017 to ¥28,574 million (equivalent to approximately HK$1,967 million) for the six months ended 30 September 2018. The decrease is due primarily to reduction of overall operating costs in our high playing cost halls, especially focusing on pachinko and pachislot machine expenses. The average hall operating expenses per hall also decreased by 9.5%*.

Hall operating expenses for low playing cost halls decreased by ¥4,066 million (equivalent to approximately HK$280 million), or 10.7%*, from ¥37,944 million (equivalent to approximately HK$2,630 million) for the six months ended 30 September 2017 to ¥33,878 million (equivalent to approximately HK$2,332 million) for the six months ended 30 September 2018. The decrease is due primarily to reduction of overall operating costs in our low playing cost halls, especially focusing on pachinko and pachislot machine expenses. The average hall operating expenses per hall also decreased by 11.7%*.

**General and administrative expenses**

General and administrative expenses decreased by ¥204 million (equivalent to approximately HK$14 million), or 8.3%*, from ¥2,445 million (equivalent to approximately HK$169 million) for the six months ended 30 September 2017 to ¥2,241 million (equivalent to approximately HK$154 million) for the six months ended 30 September 2018. 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 2017 and 2018 were ¥4,441 million (equivalent to approximately HK$308 million) and ¥4,764 million (equivalent to approximately HK$328 million), respectively. The increase was primarily attributable to the recording of the revenue from finance leases and insurance income in this interim period, partially offset by the decreased sales revenue from property held for sale.

**Other operating expenses**

Other operating expenses increased by ¥607 million (equivalent to approximately HK$42 million), or 77.9%*, from ¥779 million (equivalent to approximately HK$54 million) for the six months ended 30 September 2017 to ¥1,386 million (equivalent to approximately HK$95 million) for the six months ended 30 September 2018. The increase was primarily attributable to the increased amount of the impairment loss on disposal of property, plant and equipment as well as the recording of the loss on disaster.

**Finance income**

Finance income increased by ¥176 million (equivalent to approximately HK$12 million), from ¥146 million (equivalent to approximately HK$10 million) for the six months ended 30 September 2017 to ¥322 million (equivalent to approximately HK$22 million) for the six months ended 30 September 2018. The increase was primarily attributable to the increased amount of the dividend income and the recording of the finance leases interest income.

**Finance expenses**

Finance costs decreased by ¥283 million (equivalent to approximately HK$19 million), from ¥462 million (equivalent to approximately HK$32 million) for the six months ended 30 September 2017 to ¥179 million (equivalent to approximately HK$12 million) for the six months ended 30 September 2018. The decrease was primarily attributable to the decreased borrowing costs due to the decrease in the ending balance of the borrowing in comparison to the previous 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 PROFIT OR LOSS**
*For the six months ended 30 September 2018*

| | Note | Six months ended 30 September 2018 ¥ million (unaudited) | 2017 ¥ million (unaudited) |
|---|---|---|---|
| **Revenue** | *4* | **73,583** | 77,211 |
| Hall operating expenses | *5* | **(62,452)** | (69,706) |
| General and administrative expenses | | **(2,241)** | (2,445) |
| Other income | *6* | **4,764** | 4,441 |
| Other operating expenses | *7* | **(1,386)** | (779) |
| **Operating profit** | | **12,268** | 8,722 |
| Finance income | *8* | **322** | 146 |
| Finance expenses | *9* | **(179)** | (462) |
| **Profit before income taxes** | | **12,411** | 8,406 |
| Income taxes | *10* | **(4,086)** | (2,972) |
| **Net profit for the period** | | **8,325** | 5,434 |
| **Attributable to:** | | | |
| Owners of the Company | | **8,340** | 5,430 |
| Non-controlling interests | | **(15)** | 4 |
| | | **8,325** | 5,434 |
| **Earnings per share** | | | |
| Basic (expressed in ¥) | *15* | **10.89** | 7.09 |
| Diluted (expressed in ¥) | *15* | **10.89** | 7.09 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2018*

| | Note | Six months ended 30 September 2018 ¥ million (unaudited) | 2017 ¥ million (unaudited) |
|---|---|---|---|
| **Net profit for the period** | | **8,325** | 5,434 |
| **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 | | **139** | (370) |
| — Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income | | **(6)** | 14 |
| | | **133** | (356) |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **891** | 95 |
| | | **891** | 95 |
| **Other comprehensive income/(loss) for the period, net of tax** | | **1,024** | (261) |
| **Total comprehensive income for the period** | | **9,349** | 5,173 |
| **Attributable to:** | | | |
| Owners of the Company | | **9,364** | 5,169 |
| Non-controlling interests | | **(15)** | 4 |
| | | **9,349** | 5,173 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 30 September 2018*

| | Note | At 30 September 2018 ¥ million (unaudited) | At 31 March 2018 ¥ million (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *11* | **96,931** | 98,794 |
| Investment properties | | **1,461** | 1,490 |
| Intangible assets | | **3,460** | 3,545 |
| Financial assets measured at fair value through other comprehensive income | | **6,741** | 5,894 |
| Deferred tax assets | | **10,856** | 10,694 |
| Other non-current assets | | **11,290** | 11,409 |
| | | **130,739** | 131,826 |
| **Current assets** | | | |
| Inventories | | **2,554** | 2,925 |
| Trade receivables | *12* | **463** | 469 |
| Prizes in operation of pachinko halls | | **4,349** | 4,114 |
| Other current assets | | **4,289** | 5,104 |
| Cash and cash equivalents | | **44,921** | 40,533 |
| | | **56,576** | 53,145 |
| **TOTAL ASSETS** | | **187,315** | 184,971 |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **17,923** | 19,220 |
| Borrowings | | **4,370** | 7,351 |
| Finance lease payables | | **204** | 256 |
| Provisions | | **2,093** | 1,971 |
| Income taxes payables | | **4,438** | 2,891 |
| Other current liabilities | | **8,726** | 7,954 |
| | | **37,754** | 39,643 |
| **Net current assets** | | **18,822** | 13,502 |
| Total assets less current liabilities | | **149,561** | 145,328 |

| | Note | At **30 September 2018** ***¥ million*** **(unaudited)** | At 31 March 2018 *¥ million* (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **16** | 6 |
| Borrowings | | **786** | 1,221 |
| Finance lease payables | | **238** | 326 |
| Other non-current liabilities | | **775** | 799 |
| Provisions | | **5,478** | 5,461 |
| | | **7,293** | 7,813 |
| **NET ASSETS** | | **142,268** | 137,515 |
| **Capital and reserves** | | | |
| Share capital | | **15,000** | 15,000 |
| Capital reserve | | **12,741** | 12,741 |
| Retained earnings | | **117,860** | 114,106 |
| Other component of equity | | **(3,301)** | (4,315) |
| **Equity attributable to owners of the Company** | | **142,300** | 137,532 |
| **Non-controlling interests** | | **(32)** | (17) |
| **TOTAL EQUITY** | | **142,268** | 137,515 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 September 2018*

### 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 2018 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 authorised for issuance by the Board of Directors on 21 November 2018.

The interim condensed consolidated financial information has been reviewed, but not audited.

### 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2018 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 2018 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 2018 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2018 except for the following.

— IAS40 (Amendment), 'Investment Property'
— IFRS15, 'Revenue from Contracts with Customers'
— IFRIC22, 'Foreign Currency Transactions and Advance Consideration'

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services. The Group has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under IAS 18.

Under IFRS 15, the Group recognises revenue when a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customers.

The adoption of IFRS 15 does not have a material impact on when the Group recognises revenue arising from a series of services in operations of pachinko and pachislot games halls. The contract liabilities consists of unutilised balls and token included in other current liabilities, which was ¥6,696 million as at 30 September 2018.

Several other amendments and interpretations apply for the first time in 2018 but do not also have a material impact on the interim condensed consolidated financial information of the Group.

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

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

The Group elected to adopt IFRS 9 Financial Instruments from fiscal year ended 31 March 2016.

| IFRS | | Mandatory for fiscal year beginning on or after | Adopted by the group from fiscal year ended | Summary of new standards and amendments |
|---|---|---|---|---|
| IAS 28 (Amendment) | Long-term interests in Associates and Joint Ventures | 1 January 2019 | March 2020 | Amendment with regard to the clarification of the application of IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture to which the equity method is not applied |
| IFRSs (Amendment) | Annual Improvements to IFRSs 2015–2017 Cycle | 1 January 2019 | March 2020 | Minor amendments with regard to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs |
| IFRS 9 (Amendment) | Prepayment Features with Negative Compensation | 1 January 2019 | March 2020 | Amendment with regard to the measurement of prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met |
| IFRS 16 | Leases | 1 January 2019 | March 2020 | Requirement for lessee to recognize most lease contracts on the statement of financial position |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 | March 2020 | Amendment with regard to the clarification of how to reflect the effects of uncertainty in accounting for income taxes |

## 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 2018, 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***¥ million*** | *¥ million* |
| | **(unaudited)** | (unaudited) |
| Gross pay-ins | **386,840** | 397,127 |
| Less: Gross payouts | **(313,257)** | (319,916) |
| Revenue | **73,583** | 77,211 |

## 5. HALL OPERATING EXPENSES

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***¥ million*** | *¥ million* |
| | **(unaudited)** | (unaudited) |
| Advertising expenses | **2,154** | 2,353 |
| Cleaning and ancillary services | **1,938** | 1,990 |
| Depreciation expenses | **5,187** | 5,529 |
| Hall staff costs | **24,894** | 25,140 |
| Pachinko and pachislot machine expenses | **11,348** | 18,083 |
| Rental expenses | **6,331** | 6,475 |
| Repair and maintenance expenses | **1,999** | 1,191 |
| Utilities expenses | **3,333** | 3,282 |
| Others | **5,268** | 5,663 |
| | **62,452** | 69,706 |

## 6. OTHER INCOME

| | Six months ended 30 September 2018 ¥ million (unaudited) | 2017 ¥ million (unaudited) |
|---|---|---|
| Commission from vending machines and in-store sales | **2,334** | 2,369 |
| Income from forfeiture of customer's membership cards | **110** | 122 |
| Income from catering services | **406** | 362 |
| Sales revenue from property held for sale | **53** | 466 |
| Revenue from finance leases | **480** | – |
| Net gains on disposals of used machines | **104** | 263 |
| Rental income | **430** | 474 |
| Insurance income | **463** | – |
| Others | **384** | 385 |
| | **4,764** | 4,441 |

## 7. OTHER OPERATING EXPENSES

| | Six months ended 30 September 2018 ¥ million (unaudited) | 2017 ¥ million (unaudited) |
|---|---|---|
| Disposal cost of non-financial assets | **39** | 40 |
| Impairment loss of non-financial assets | **279** | 82 |
| Cost of sales of property held for sale | **31** | 254 |
| Cost of sales of finance leases | **291** | – |
| Rental expenses | **157** | 229 |
| Loss on disaster | **445** | – |
| Others | **144** | 174 |
| | **1,386** | 779 |

## 8. FINANCE INCOME

| | Six months ended 30 September 2018 ¥ million (unaudited) | 2017 ¥ million (unaudited) |
|---|---|---|
| Bank interest income | **9** | 1 |
| Finance leases interest income | **40** | – |
| Dividend income | **230** | 101 |
| Others | **43** | 44 |
| | **322** | 146 |

## 9. FINANCE EXPENSES

| | Six months ended 30 September 2018 ¥ million (unaudited) | 2017 ¥ million (unaudited) |
|---|---|---|
| Interest expenses | **61** | 176 |
| Amortisation of syndicated bank loan charges | **51** | 62 |
| Foreign exchange loss, net | **22** | 71 |
| Early repayment cost | **–** | 109 |
| Others | **45** | 44 |
| | **179** | 462 |

## 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 consolidated statement of profit or loss are:

| | Six months ended 30 September 2018 ¥ million (unaudited) | 2017 ¥ million (unaudited) |
|---|---|---|
| Current taxes | **4,239** | 3,805 |
| Deferred taxes | **(153)** | (833) |
| | **4,086** | 2,972 |

## 11. COMMITMENTS

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

| | At 30 September 2018 ¥ million (unaudited) | At 31 March 2018 ¥ million (audited) |
|---|---|---|
| Capital commitment for purchase of property, plant and equipment | **224** | 222 |
| | **224** | 222 |

## 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 date, is as follows:

| | **At 30 September 2018 *¥ million* (unaudited)** | At 31 March 2018 *¥ million* (audited) |
|---|---|---|
| 1 to 30 days | **438** | 445 |
| 31 to 60 days | **19** | 18 |
| Over 60 days | **6** | 6 |
| | **463** | 469 |

## 13. TRADE AND OTHER PAYABLES

| | **At 30 September 2018 *¥ million* (unaudited)** | At 31 March 2018 *¥ million* (audited) |
|---|---|---|
| Trade payables | **1,493** | 1,456 |
| Halls construction and system payables | **1,621** | 1,815 |
| Other tax expenses | **2,723** | 3,400 |
| Pachinko and pachislot machine payables | **1,629** | 2,103 |
| Accrued staff costs | **8,614** | 8,635 |
| Others | **1,843** | 1,811 |
| | **17,923** | 19,220 |

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

| | **At 30 September 2018 *¥ million* (unaudited)** | At 31 March 2018 *¥ million* (audited) |
|---|---|---|
| 1 to 30 days | **1,429** | 1,435 |
| 31 to 60 days | **0** | 1 |
| Over 60 days | **64** | 20 |
| | **1,493** | 1,456 |

## 14. DIVIDENDS

During the six months ended 30 September 2018 and 2017, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

| Dividends declared and paid/ payable to its shareholders by: | Six months ended 30 September 2018 Dividend per share ¥ | 2018 Total Dividends *¥ million* (unaudited) | 2017 Dividend per share ¥ | 2017 Total Dividends *¥ million* (unaudited) |
|---|---|---|---|---|
| Final dividend paid | **6.00** | **4,596** | 6.00 | 4,596 |
| | | **4,596** | | 4,596 |

On 21 November 2018, the Board of Directors declared an interim dividend of ¥6.00 per ordinary share of the Company, which is payable on 11 January 2019 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 2018 *¥ million* (unaudited) | 2017 *¥ million* (unaudited) |
|---|---|---|
| Earnings for the purpose of calculating basic earnings per share | **8,340** | 5,430 |
| Weighted average number of shares | **765,985,896** | 765,985,896 |
| Basic earnings per share (¥) | **10.89** | 7.09 |

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2018 and 2017 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2018 and 2017.

## CORPORATE GOVERNANCE

### Compliance with the corporate governance code

During the six months ended 30 September 2018 (the "Reporting Period"), the Company has complied with all applicable code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviations.

*Code Provision A.2.1*

Code provision A.2.1 provides that the roles of chairman and chief executive should be performed by different individuals. Mr. Kohei SATO has been in both roles during the Reporting Period.

However, the board of Directors (the "Board") believes that Mr. Kohei SATO, in his dual capacity as the chairman of the Board and chief executive, provides strong and consistent leadership for the development of the Group, and this is beneficial and in the interests of the Company and the shareholders of the Company (the "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 the notice for an annual general meeting should be sent to shareholders by issuer at least 20 clear business days before the meeting. The annual general meeting of the Company (the "AGM") for the year ended 31 March 2018 was held on 21 June 2018, while the AGM notice was despatched on 30 May 2018. The above arrangement complied with the articles of incorporation of the Company, as amended (the "Articles of Incorporation") prepared pursuant to the Companies Act of Japan (Act No. 86 of 2005, as amended and supplemented from time to time) (the "Companies Act") in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting was not 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 2018). The Companies Act also requires that the notice for the AGM 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 International Financial Reporting Standards as required under the Listing Rules. As a result, more time was required to finalize the annual report which accompanied the AGM notice being despatched to the Shareholders.

**Compliance with the model code for securities transactions by directors and "rules on prevention of insider dealings" by directors**

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

**Audit committee's review of financial statements**

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

**Interim dividends**

The Board declared an interim dividend of ¥6 per ordinary share in respect of the Reporting Period, payable on 11 January 2019 to the Shareholders whose names appear on the Company's share register as at the close of business on 10 December 2018. Based on the assumption that 765,985,896 shares shall be in issue as at 10 December 2018, it is expected that the interim dividend payable will amount to approximately ¥4,596 million (equivalent to approximately HK$316 million).

In the case when the dividends are distributed to the Shareholders in Hong Kong dollars, the exchange rate for the conversion of Japanese yen to Hong Kong dollar are based on the average currency rates prevailing five business days immediately before 21 November 2018 (being 14 to 16, 19 and 20 November 2018).

**Purchase, sale or redemption of the company's listed securities**

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dyjh.co.jp). The interim report of the Company for the six months ended 30 September 2018 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. ¥14.53 to HK$1.00, the exchange rate prevailing on 28 September 2018 (i.e. the last business day in September 2018); or

2. ¥14.43 to HK$1.00, the exchange rate prevailing on 29 September 2017 (i.e. the last business day in September 2017); and

3. ¥13.54 to HK$1.00, the exchange rate prevailing on 30 March 2018 (i.e. the last business day in March 2018).

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

## DEFINITIONS

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

| | |
|---|---|
| "Cabin Plaza"<br>キャビンプラザ | Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company |
| "Dynam"<br>ダイナム | DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company |
| "Yume Corporation"<br>夢コーポレーション | Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company |

By order of the Board
**DYNAM JAPAN HOLDINGS Co., Ltd.**
**Kohei SATO**
*Chairman of the Board*

Tokyo, Japan, 21 November 2018

*As of the date of this announcement, the executive Director is Mr. Kohei SATO, the non-executive Directors are Mr. Yoji SATO, Mr. Tatsuji FUJIMOTO and Mr. Noriaki USHIJIMA, and the independent non-executive Directors are Mr. Ichiro TAKANO, Mr. Mitsutoshi KATO, Mr. Thomas Chun Kee YIP, Mr. Kei MURAYAMA and Mr. Kiyohito KANDA.*