DYNAM JAPAN HOLDINGS Co., Ltd.

(incorporated in Japan with limited liability)

(Stock Code: 06889)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

HIGHLIGHTS

— Our gross pay-ins were ¥732,862 million (or HK$52,235 million[Δ]), recording a decrease of 4.7% as compared with the year ended 31 March 2019;

— Our revenue was ¥141,919 million (or HK$10,115 million[Δ]), recording a decrease of 3.0% as compared with the year ended 31 March 2019;

— Our profit before income tax was ¥19,506 million (or HK$1,390 million[Δ]), recording an increase of 0.7% as compared with the year ended 31 March 2019;

— Our net profit for the year attributable to owners of the Company was ¥12,748 million (or HK$908 million[Δ]), recording an increase of 1.2% as compared with the year ended 31 March 2019;

— We operated 448 halls as at 31 March 2020 (450 halls as at 31 March 2019);

— Basic earnings per share of the Company were ¥16.6 (or HK$1[Δ]); and

— The Board has resolved to declare a final dividend of ¥3 per ordinary share (interim: ¥6 per ordinary share).

Δ Translated into Hong Kong dollars at the rate of ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).

Note: The above % increases and decreases 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 annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020. The results have been audited by PricewaterhouseCoopers Aarata LLC, the Company's auditor and the Audit Committee.

SUMMARY OF FINANCIAL RESULTS

	Year ended 31 March (in millions)			
	2020		2019	
	¥	***HK$***	¥	*HK$*
Gross pay-ins	**732,862**	**52,235**	768,857	54,375
Less: gross payouts	**(590,943)**	**(42,120)**	(622,486)	(44,023)
Revenue	**141,919**	**10,115**	146,371	10,352
Hall operating expenses	**(121,912)**	**(8,689)**	(128,024)	(9,054)
General and administrative expenses	**(5,020)**	**(358)**	(5,023)	(355)
Other income	**9,010**	**642**	8,971	634
Other operating expenses	**(2,483)**	**(177)**	(2,953)	(209)
Operating profit	**21,514**	**1,533**	19,342	1,368
Finance income	**461**	**33**	471	33
Finance expenses	**(2,469)**	**(176)**	(444)	(31)
Profit before income taxes	**19,506**	**1,390**	19,369	1,370
Income taxes	**(6,759)**	**(482)**	(6,778)	(479)
Net profit for the year	**12,747**	**908**	12,591	891
Net profit attributable to:				
Owners of the Company	**12,748**	**908**	12,596	891
Non-controlling interests	**(1)**	**0**	(5)	0
Net profit for the year	**12,747**	**908**	12,591	891
Earnings per share				
Basic	**¥16.6**	**HK$1**	¥16.4	HK$1
Diluted	**N/A**	**N/A**	N/A	N/A
EBITDA(*)	**33,151**	**2,363**	31,136	2,202

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

	As at 31 March (in millions)			
	2020		2019	
	¥	***HK$***	¥	*HK$*
Non-current assets	**221,441**	**15,783**	125,457	8,873
Current assets	**55,798**	**3,977**	59,875	4,234
Current liabilities	**44,028**	**3,138**	36,452	2,578
Net current assets	**11,770**	**839**	23,423	1,656
Total assets less current liabilities	**233,211**	**16,622**	148,880	10,529
Non-current liabilities	**98,479**	**7,018**	7,080	501
Total equity	**134,732**	**9,604**	141,800	10,028

Adoption of IFRS 16 "Leases"

The Group has adopted IFRS 16 "Leases" from the accounting period beginning April 1, 2019.

The details of IFRS 16, Leases, and affected items in the consolidated financial statements are set out in the note 3 of the consolidated financial statement.

Note: IFRS is International Financial Reporting Standards.

BUSINESS OVERVIEW

Number of Halls

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

During this fiscal year, the Group opened 1 new low playing cost halls, closed 3 halls as a result of reviewing commercial areas. We have changed from 2 high playing cost hall to low cost playing hall. Through such countermeasure, the number of halls as at the end of March 2020 became 448. By hall type, we operate 174 high playing cost halls and 274 low playing cost halls. Low playing cost halls account for 61% of the total halls.

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.

- ***Initiatives to Realize Everyday Entertainment***

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

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

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

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

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

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

Multiple-hall development

The Group is implementing multiple-hall development based on its theory of chain store operations by opening new 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 leased land to avoid excessive investment in land purchases, so as to scrap the halls easily if market conditions change in the future.

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

Making the most of its advantage as a listed company, the Group implements 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*

Aircrafts leasing business

The Group entered aircrafts' leasing business with prospect of relatively stable earnings since last year. The Group purchased three narrow body aircrafts with high popularity in the market and started to lease them to the airline companies. The Group would like to continue to raise its contribution degree to the performance.

FINANCIAL REVIEW

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

	For the year ended 31 March				
	2020		2019		changes[3]
	(in millions, except for percentages)				
	¥	***HK$[1]***	¥	*HK$[2]*	%
Gross pay-ins					
— High playing cost halls	**410,270**	**29,242**	441,304	31,210	-7.0%
— Low playing cost halls	**322,592**	**22,993**	327,553	23,165	-1.5%
Total gross pay-ins	**732,862**	**52,235**	768,857	54,375	-4.7%
Gross payouts					
— High playing cost halls	**340,651**	**24,280**	368,190	26,039	-7.5%
— Low playing cost halls	**250,292**	**17,840**	254,296	17,984	-1.6%
Total gross payouts	**590,943**	**42,120**	622,486	44,023	-5.1%
Revenue					
— High playing cost halls	**69,619**	**4,962**	73,114	5,171	-4.8%
— Low playing cost halls	**72,300**	**5,153**	73,257	5,181	-1.3%
Total revenue	**141,919**	**10,115**	146,371	10,352	-3.0%

(1) Translated into Hong Kong dollars at the rate of ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020).

(2) Translated into Hong Kong dollars at the rate of ¥14.14 to HK$1.00, the exchange rate prevailing on 29 March 2019 (i.e. the last business day in March 2019).

(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.

The pachinko hall industry continues to operate under a harsh environment as the number of customers declines, centering on high playing cost halls, and the playing revenues continue to decrease. On the other hand, moving to draw back customers are making headway by creating easily accessible and secure environments through an increase in low playing cost halls and a staged reduction of the percentage of gambling game machines installed.

Under such an environment, the Group adopted a key policy of prioritizing hall creation from the customers' viewpoint and promoting sales focused on customers at each hall, and so refurbished halls and implemented various experimental sales policies, all as an initiative for growing and developing together with the local community. Furthermore, as an effort to improve operations, the Group incorporated the company-wide sharing of successful examples of gaming environment improvements and sales measures that each hall is engaged in.

The Group aims to establish pachinko halls as a part of the community infrastructure to provide daily entertainment that everyone can easily enjoy, and is engaged in expanding its industry share of low playing cost halls to realize this objective.

During this fiscal year, the Group opened 1 new low playing cost halls, closed 3 halls as a result of reviewing commercial areas. We have changed from 2 high playing cost hall to low cost playing hall. Through such countermeasure, the number of halls as at the end of March 2020 became 448. By hall type, we operate 174 high playing cost halls and 274 low playing cost halls. Low playing cost halls account for 61% of the total halls.

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

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 total gross pay-ins decreased by ¥35,995 million (equivalent to approximately HK$2,566 million*), or 4.7%*, from ¥768,857 million (equivalent to approximately HK$54,375 million) for the year ended 31 March 2019 to ¥732,862 million (equivalent to approximately HK$52,235 million) for the year ended 31 March 2020.

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

Gross pay-ins for high playing cost halls decreased by ¥31,034 million (equivalent to approximately HK$2,212 million*), or 7.0%*, from ¥441,304 million (equivalent to approximately HK$31,210 million) for the year ended 31 March 2019 to ¥410,270 million (equivalent to approximately HK$29,242 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease in utilisation of machines.

Gross pay-ins for low playing cost halls decreased by ¥4,961 million (equivalent to approximately HK$354 million*), or 1.5%*, from ¥327,553 million (equivalent to approximately HK$23,165 million) for the year ended 31 March 2019 to ¥322,592 million (equivalent to approximately HK$22,993 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease in utilisation of machines.

Gross payouts

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

Our total gross payouts decreased by ¥31,543 million (equivalent to approximately HK$2,248 million*), or 5.1%*, from ¥622,486 million (equivalent to approximately HK$44,023 million) for the year ended 31 March 2019 to ¥590,943 million (equivalent to approximately HK$42,120 million) for the year ended 31 March 2020.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥27,539 million (equivalent to approximately HK$1,963 million*), or 7.5%*, from ¥368,190 million (equivalent to approximately HK$26,039 million) for the year ended 31 March 2019 to ¥340,651 million (equivalent to approximately HK$24,280 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease in gross pay-ins.

Gross payouts for low playing cost halls decreased by ¥4,004 million (equivalent to approximately HK$285 million*), or 1.6%*, from ¥254,296 million (equivalent to approximately HK$17,984 million) for the year ended 31 March 2019 to ¥250,292 million (equivalent to approximately HK$17,840 million) for the year ended 31 March 2020. The decrease was primarily due to the decrease 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 ¥4,452 million (equivalent to approximately HK$317 million), or 3.0%*, from ¥146,371 million (equivalent to approximately HK$10,352 million) for the year ended 31 March 2019 to ¥141,919 million (equivalent to approximately HK$10,115 million) for the year ended 31 March 2020.

Our revenue by hall type is as follows.

Revenue for high playing cost halls decreased by ¥3,495 million (equivalent to approximately HK$249 million*), or 4.8%*, from ¥73,114 million (equivalent to approximately HK$5,171 million) for the year ended 31 March 2019 to ¥69,619 million (equivalent to approximately HK$4,962 million) for the year ended 31 March 2020. The decrease was primarily due to a decrease in gross pay-ins. The revenue margin for the year ended 31 March 2020 increased by 0.4 points to 17.0% year-on-year, reflecting decreased ratio of gross payouts to gross pay-ins.

Revenue for low playing cost halls decreased by ¥957 million (equivalent to approximately HK$68 million*), or 1.3%*, from ¥73,257 million (equivalent to approximately HK$5,181 million) for the year ended 31 March 2019 to ¥72,300 million (equivalent to approximately HK$5,153 million) for the year ended 31 March 2020. The revenue margin was 22.4%, the same level as the previous year.

Hall operating expenses

Hall operating expenses for the year ended 31 March 2020 was ¥121,912 million (equivalent to approximately HK$8,689 million), recording a decrease by ¥6,112 million (equivalent to approximately HK$437 million*), or 4.8%* as compared to the previous fiscal year of ¥128,024 million (equivalent to approximately HK$9,054 million).

Our hall operating expenses by hall type are as follows.

Hall operating expenses for high playing cost halls decreased by ¥2,998 million (equivalent to approximately HK$214 million*), or 5.2%*, from ¥57,521 million (equivalent to approximately HK$4,068 million) for the year ended 31 March 2019 to ¥54,522 million (equivalent to approximately HK$3,886 million) for the year ended 31 March 2020.

Hall operating expenses for low playing cost halls decreased by ¥3,113 million (equivalent to approximately HK$222 million*), or 4.4%*, from ¥70,503 million (equivalent to approximately HK$4,986 million) for the year ended 31 March 2019 to ¥67,390 million (equivalent to approximately HK$4,803 million) for the year ended 31 March 2020.

General and administrative expenses

General and administrative expenses decreased by ¥3 million (equivalent to approximately HK$0 million*), or 0.1%*, from ¥5,023 million (equivalent to approximately HK$355 million) for the year ended 31 March 2019 to ¥5,020 million (equivalent to approximately HK$358 million) for the year ended 31 March 2020.

Other income

Other income increased by ¥39 million (equivalent to approximately HK$3 million*), or 0.4%*, from ¥8,971 million (equivalent to approximately HK$634 million) for the year ended 31 March 2019 to ¥9,010 million (equivalent to approximately HK$642 million) for the year ended 31 March 2020.

Other operating expenses

Other operating expenses decreased by ¥470 million (equivalent to approximately HK$33 million*), or 15.9%*, from ¥2,953 million (equivalent to approximately HK$209 million for the year ended 31 March 2019 to ¥2,483 million (equivalent to approximately HK$177 million) for the year ended 31 March 2020. The main reason of the decrease is the decrease of disaster losses.

Finance income

Finance income decreased by ¥10 million (equivalent to approximately HK$1 million*), or 2.1%*, from ¥471 million (equivalent to approximately HK$33 million) for the year ended 31 March 2019 to ¥461 million (equivalent to approximately HK$33 million) for the year ended 31 March 2020.

Finance expenses

Finance expenses increased by ¥2,025 million (equivalent to approximately HK$144 million*), or 456.1%*, from ¥444 million (equivalent to approximately HK$31 million) for the year ended 31 March 2019 to ¥2,469 million (equivalent to approximately HK$176 million) for the year ended 31 March 2020. The main reason for the increase is the increase in interest expense due to the adoption of IFRS 16.

* 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	**2020** **¥ million**	2019 ¥ million
Revenue	5	**141,919**	146,371
Hall operating expenses	6(a)	**(121,912)**	(128,024)
General and administrative expenses	6(b)	**(5,020)**	(5,023)
Other income	8(a)	**9,010**	8,971
Other operating expenses	8(b)	**(2,483)**	(2,953)
Operating profit		**21,514**	19,342
Finance income	9	**461**	471
Finance expenses	10	**(2,469)**	(444)
Profit before income tax		**19,506**	19,369
Income taxes	11	**(6,759)**	(6,778)
Net profit for the year		**12,747**	12,591
Net profit attributable to:			
Owners of the Company		**12,748**	12,596
Non-controlling interests		**(1)**	(5)
Net profit		**12,747**	12,591
Earnings per share	13		
Basic (¥)		**16.6**	16.4
Diluted (¥)		**16.6**	16.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	**2020** **¥ million**	2019 ¥ million
Net profit for the year		**12,747**	12,591
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive (loss)/income		**(921)**	233
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		**45**	7
		(876)	240
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(304)**	646
		(304)	646
Other comprehensive (loss)/income for the year, net of tax		**(1,180)**	886
Total comprehensive income for the year		**11,567**	13,477
Attributable to:			
Owners of the Company		**11,567**	13,481
Non-controlling interests		**0**	(4)
		11,567	13,477

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	**2020** **¥ million**	2019 ¥ million
Non-current assets			
Property, plant and equipment		**105,206**	95,445
Right-of-use assets		**79,048**	–
Investment properties		**2,928**	1,351
Intangible assets		**3,623**	3,112
Financial assets measured at fair value through other comprehensive income		**2,813**	3,774
Lease receivables		**5,478**	1,254
Deferred tax assets		**14,706**	10,615
Other non-current assets		**7,639**	9,906
		221,441	125,457
Current assets			
Inventories		**3,378**	1,949
Trade receivables	*14*	**554**	614
Lease receivables		**2,137**	81
Prizes in operation of pachinko halls		**4,574**	3,791
Other current assets		**3,345**	5,903
Cash and cash equivalents		**41,810**	47,537
		55,798	59,875
TOTAL ASSETS		**277,239**	185,332
Current liabilities			
Trade and other payables	*15*	**14,801**	19,297
Borrowings		**3,008**	2,124
Finance lease payables		**–**	227
Lease payables		**12,185**	–
Provisions		**2,054**	2,013
Income taxes payables		**3,301**	4,310
Other current liabilities		**8,679**	8,481
		44,028	36,452
Net current assets		**11,770**	23,423
Total assets less current liabilities		**233,211**	148,880

	Note	**2020**	2019
		¥ million	*¥ million*
Non-current liabilities			
Deferred tax liabilities		**21**	8
Borrowings		**10,220**	502
Finance lease payables		**–**	353
Lease payables		**81,611**	–
Other non-current liabilities		**1,027**	687
Provisions		**5,600**	5,530
		98,479	7,080
NET ASSETS		**134,732**	141,800
Capital and reserves			
Share capital		**15,000**	15,000
Capital reserve		**12,741**	12,741
Retained earnings		**109,317**	115,204
Other component of equity		**(2,305)**	(1,124)
Equity attributable to owners of the Company		**134,753**	141,821
Non-controlling interests		**(21)**	(21)
TOTAL EQUITY		**134,732**	141,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company as at 31 March 2020 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 consolidated financial information was approved and authorised for issuance by the Board of Directors on 27 May 2020.

In the opinion of the directors of the Company, as at 31 March 2020, Mr. Yoji Sato and Sato Family Members are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income and investment properties which are carried at their fair value.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new standards and amendments have been issued and effective for annual periods beginning on 1 April 2019, with no material impact on the Group's results of operations and financial position except for IFRS 16:

— IAS 28 (Amendment), "Long-term interests in Associates and Joint Ventures"

— IFRSs (Amendment), "Annual Improvements to IFRSs 2015–2017 Cycle"

— IFRS 9 (Amendment), "Prepayment Features with Negative Compensation"

— IFRS 16, "Leases"

— IFRIC 23, "Uncertainty over Income Tax Treatments"

IFRS 16 Leases

IFRS 16, Leases, replaces the standard on accounting for leases, IAS 17 Leases ("IAS 17"), and IFRIC 4 Determining Whether an Arrangement Contains a Lease. It introduces a uniform lease accounting model for lessees, requiring recognition of a right-of-use asset and a liability for all leases with a term of more than 12 months unless such leases are immaterial and eliminates the current requirement for lessees to classify lease contracts as either operating leases or as finance leases. In contrast, the accounting requirements for lessors remain largely unchanged, particularly with regard to the continued requirement to classify leases according to IAS 17.

In accordance with transitional reliefs for IFRS 16, the Group has recognised the cumulative effect of initial application at the date of initial application (1 April 2019) instead of retrospective application with full restatement for each previous reporting periods. As a practical expedient, the Group has not conducted any reassessment as at the date of initial application as to whether a contract is, or contains, a lease. Therefore, we have applied IFRS 16 to all contracts entered into before 1 April 2019 and identified as a lease based on IAS 17 and the related interpretations . The Group has applied IAS 36 Impairment of Assets to assess the right-of-use assets for impairment at the date of initial application.

The associated right-of-use assets for property leases are measured on a retrospective basis as if the new rules had always been applied,discounted using the incremental borrowing rate at the date of initial application.

Other right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in Consolidated Statement of Financial Position as at 1 April 2019.

We have exercised the following practical expedients at the application of IFRS 16 to leases previously classified as operating leases under IAS 17:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- recognition exemption of short-term leases and leases for which the underlying asset is of low value; and

- use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

For leases classified as finance leases under IAS 17, the carrying amounts of the right-of-use assets and lease liabilities at the date of initial application are deemed to be the carrying amounts of the lease assets and liabilities measured under IAS 17 on the immediately preceding day.

IFRS 16 has a material effect on the Group's consolidated financial statements, particularly on the presentation of the financial position, profit before income tax as follows:

Consolidated Statement of Financial Position:

For non-cancellable operating lease agreements disclosed as at 31 March 2019 applying IAS 17, the following adjustments were made between the amount discounted at the incremental borrowing rate as at the date of initial application and the amount of lease liabilities recognised in the consolidated statement of financial position at the date of initial application:

	(Millions of yen)
Operating lease contracts disclosed as at 31 March 2019	3,127
Amount discounted using incremental borrowing rate at the date of initial application	2,915
Add: Finance lease liabilities recognised at end of the previous fiscal year	580
Add: Present discounted value of cancellable operating lease contracts *(note)*	90,944
Recognition exemption rules	
(Less): Short-term leases	(102)
(Less): Leases of low-value assets	(5)
Lease liabilities at the date of initial application	94,332

Note: The directors of the Company consider the Group is reasonably certain to exercise the extension option in the lease contract at 1 April 2019.

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

Right-of-use assets recognised upon application of IFRS 16:

	1 April 2019 *¥ million*
Reclassification from rental prepayment	3,547
Reclassification from finance lease assets incurred in property, plant and equipment and intangible assets	382
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	75,430
Total	79,359

The recognised right-of-use assets relate to the following types of assets:

	31 March 2020 ***¥ million***	1 April 2019 *¥ million*
Properties	**78,565**	78,840
Tools and equipment	**134**	357
Motor vehicles	**99**	72
Others	**250**	90
Total right-of-use assets	**79,048**	79,359

In addition of right-of-use assets and lease liabilities stated above, the change in the accounting policy mainly affected lease receivables increasing by ¥5,651 million and net impact on retained earnings on 1 April 2019 decreasing by ¥9,443 million on Consolidated Statement of Financial Position.

Consolidated Statement of Profit or Loss:

Profit before income tax increased by ¥835 million on Consolidated Statement of Profit or Loss.

4. 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 consolidated financial statements, but the Group has not early adopted are as follows. The impact to the consolidated financial statements through adoption is still under investigation and it is difficult to estimate at this moment.

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 3	Business Combinations	1 January 2020	31 March 2021	Clarification of the definition of a business
IAS 1	Presentation of Financial Statements	1 January 2020	31 March 2021	Clarification of the definition of materiality
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020	31 March 2021	Clarification of the definition of materiality

5. 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 the operations of pachinko halls and those related services are 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

	2020	2019
	¥ million	*¥ million*
Gross pay-ins	**732,862**	768,857
Less: Gross payouts	**(590,943)**	(622,486)
Revenue	**141,919**	146,371

6. HALL OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

(a) Hall operating expenses

	2020 ¥ million	2019 ¥ million
Advertising expenses	**3,419**	3,954
Cleaning and ancillary services	**3,808**	3,975
Depreciation expenses	**10,224**	10,770
Hall staff costs	**47,282**	49,326
Pachinko and pachislot machine expenses	**27,753**	25,320
Depreciation expenses of right-of-use assets	**10,349**	–
Rental expenses	**169**	12,604
Repair and maintenance expenses	**3,413**	4,125
Utilities expenses	**5,554**	6,334
Others	**9,941**	11,616
	121,912	128,024

(b) General and administrative expenses

	2020 ¥ million	2019 ¥ million
Salaries, bonus and allowances	**3,151**	3,119
Audit fee	**99**	96
Non-audit fee	**3**	7
Others	**1,767**	1,801
	5,020	5,023

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2020 ¥ million	2019 ¥ million
Salaries, bonus and allowances	**54,170**	56,234
Contribution to defined contribution retirement plans	**933**	921
	55,103	57,155

8. OTHER INCOME AND OTHER EXPENSES

(a) Other income

	2020	2019
	¥ million	*¥ million*
Commission from vending machines and in-store sales	**4,729**	4,633
Income from forfeiture of customer's membership cards	**205**	221
Income from catering services	**918**	784
Sales revenue from property held for sale	**68**	161
Revenue from finance leases	**480**	841
Revenue from operating leases — aircraft	**564**	–
Net gains on disposals of used machines	**420**	221
Rental income	**652**	868
Insurance income	**–**	470
Others	**974**	772
	9,010	8,971

(b) Other operating expenses

	2020	2019
	¥ million	*¥ million*
Disposal cost of non-financial assets	**608**	158
Impairment loss of non-financial assets	**718**	924
Cost of sales of property held for sale	**26**	83
Cost of sales of finance leases	**180**	483
Cost of operating leases — aircraft	**399**	–
Rental cost	**130**	334
Loss on disaster	**–**	616
Others	**422**	355
	2,483	2,953

9. FINANCE INCOME

	2020	2019
	¥ million	*¥ million*
Bank interest income	**175**	21
Finance leases interest income	**173**	90
Dividend income	**29**	273
Others	**84**	87
	461	471

10. FINANCE EXPENSES

	2020	2019
	¥ million	*¥ million*
Interest expenses	**185**	100
Amortisation of syndicated loan charges	**82**	99
Foreign exchange loss, net	**237**	158
Interest on lease liabilities	**1,880**	–
Others	**85**	87
	2,469	444

11. INCOME TAXES

	2020	2019
	¥ million	*¥ million*
Current taxes — Japan Profits Tax		
Provision for the year	**6,396**	6,739
Under-provision in prior years	**–**	–
	6,396	6,739
Current taxes — Overseas		
Provision for the year	**37**	2
Under-provision in prior years	**–**	9
	37	11
Deferred taxes		
Provision for the year	**326**	28
Income tax expense	**6,759**	6,778

Hong Kong profits tax included in overseas taxation above has been provided at a rate of approximately 16% on the estimated assessable profit for the year ended 31 March 2020.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Japan Profits Tax rate is as follows:

	2020	2019
	¥ million	*¥ million*
Profit before tax	**19,506**	19,369
Japan Profits Tax rate	**31%**	31%
Tax at the domestic income tax rate	**6,136**	6,094
Tax effect of income that is not taxable	**(10)**	(65)
Tax effect of expenses that are not deductible	**573**	616
Tax effect of temporary differences not recognised	**(7)**	(23)
Tax losses not recognised	**124**	103
Under-provision in prior years	**–**	9
Effect of different tax rates of subsidiaries	**(69)**	(71)
Impairment loss of goodwlll	**–**	111
Others	**12**	4
Income tax expense	**6,759**	6,778

12. DIVIDENDS

	2020		2019	
Dividends declared and paid/payable to its shareholders by:	**Dividend per share**	**Total dividends**	Dividend per share	Total dividends
	¥	***¥ million***	¥	*¥ million*
— Interim	**6.00**	**4,596**	6.00	4,596
— Final	**3.00**	**2,298**	6.00	4,596
		6,894		9,192

On 27 May 2020, the Board of Directors declared a final dividend of ¥3.00 per ordinary share of the Company, which is payable on 24 June 2020 to the shareholders of the Company.

The amount of proposed final dividend for the year ended 31 March 2020 is based on 765,985,896 shares in issue as at 27 May 2020 when the consolidated financial statements was approved by the Board of directors.

If the Group owns any treasury shares as at 8 June 2020 when is the dividend record date, the amount of proposed final dividend represents the number of shares in issue, which exclude the number of treasury shares owned by the Group as at the date, multiplied by the amount of dividend per share.

13. EARNINGS PER SHARE

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

	2020	2019
	¥ million	*¥ million*
Earnings for the purpose of calculating basic earnings per share	**12,748**	12,596
Weighted average number of ordinary shares	**765,985,896**	765,985,896
Basic earnings per share (¥)	**16.6**	16.4

Diluted earnings per share was the same as basic earnings per share for the year ended 31 March 2020 and 2019 as there were no dilutive potential ordinary shares in existence during the year ended 31 March 2020 and 2019.

14. TRADE RECEIVABLES

The Group's credit terms generally range from 1 to 30 days for those trade receivables.

The gross carrying amount of trade receivable is 554 million yen as at 31 March 2020 (2019: 614 million yen).

The Group's aging analysis of trade receivables, based on invoice date, is as follows:

	2020	2019
	¥ million	*¥ million*
1 to 30 days	**525**	504
31 days to 60 days	**15**	31
Over 60 days	**14**	79
	554	614

There is no significant past due balance nor loss allowance provision recognised for trade receivables as at 31 March 2020 (2019: Nil).

15. TRADE AND OTHER PAYABLES

	2020	2019
	¥ million	*¥ million*
Trade payables	**1,238**	1,465
Halls construction and system payables	**1,129**	1,681
Other tax expenses	**3,190**	3,144
Pachinko and pachislot machine payables	**1,108**	2,192
Accrued staff costs	**6,363**	8,689
Advertisement and promotions	**191**	297
Housing rent	**213**	223
Others	**1,369**	1,606
	14,801	19,297

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

	2020	2019
	¥ million	*¥ million*
1 to 30 days	**1,187**	1,401
31 days to 60 days	**–**	6
Over 60 days	**51**	58
	1,238	1,465

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the period from 1 April 2019 to 31 March 2020 (the "Reporting Period"), the Company has complied with all applicable code provisions set out in the Code except for the following deviations.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting (the "AGM") should be sent to the shareholders at least 20 clear business days before the meeting. The AGM for the year ended 31 March 2019 was held on 20 June 2019, while the AGM notice was dispatched on 29 May 2019. The above arrangement complies with the Articles of Incorporation in respect of the minimum notice period of 21 days but the AGM notice period is less than 20 clear business days before the AGM.

Under the Companies Act and the Articles of Incorporation, the Company was required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2019). The Companies Act also requires the notice for the AGM to be dispatched together with the audited financial statements under 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 finalize the annual report which accompanies the AGM notice to be dispatched to the Shareholders.

The AGM for the Reporting Period will be held on 24 June 2020 and its notice will be dispatched on 2 June 2020, which will not satisfy the minimum notice period as required by the code provision E.1.3, for the same reason as stated in the preceding paragraph.

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. Throughout the Reporting Period, the roles of the chairman and chief executive were performed by the same individual, Mr. Kohei SATO, and were not separated.

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

Mr. Kohei SATO resigned as chairman of the Board with effect from 27 April 2020 and Mr. Tatsuji FUJIMOTO has been appointed as chairman of the Board on 27 April 2020. Mr. Kohei SATO also resigned as chief executive officer on 27 April 2020 and Mr. Makoto SAKAMOTO has been appointed as chief executive officer on the same day.

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 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 at 1 April 2014 for Directors (last revised on 27 February 2020), executive officers and employees of the Company who are likely to have access to unpublished inside information of the Group. The Company has made specific enquiries to all of the Directors, and all 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.

EVENTS AFTER THE REPORTING PERIOD

(a) Outbreak of the coronavirus (Covid-19)

In response to the Japanese government's state of emergency declaration on 7 April, many local governments requested entertainment facilities, including pachinko halls, in their respective prefectures to suspend operation in connection with the outbreak of the coronavirus (Covid-19) after January 2020.

In response to such requests from the local governments, the Group has temporarily suspended operation of 436 of the Group's 448 pachinko halls as at 6 May 2020. After 7 May, Group's pachinko halls have resumed operations sequentially and 45 pachinko halls are temporarily suspended operation as at 25 May

The temporarily suspended operation of pachinko halls had material adverse effects on the Group's financial condition and operations after April 2020. As the temporarily suspended operations are ongoing, the Group expects such adverse effects may continue in the future.

The Group is unable to reasonably estimate the financial impact to the Group's future results of operations, cash flows and financial condition due to uncertainties surrounding circumstance of the business and suspended operation of our pachinko halls in connection with the outbreak of the coronavirus (Covid-19).

(b) Resignation and appointment of Chairman of the Board and Chief Executive Officer of the Company

Mr. Kohei SATO resigned as chairman of the Board and chief executive officer and was re-designated from the executive Director to a non-executive Director on 27 April 2020.

Mr. Tatsuji FUJIMOTO was appointed as chairman of the Board and Mr. Makoto SAKAMOTO was appointed as chief executive officer, both with effect from 27 April 2020.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the audit committee of the Company (the "Audit Committee") in accordance with the requirements of the Listing Rules. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ichiro TAKANO (chairman), Mr. Thomas Chun Kee YIP and Mr. Kiyohito KANDA.

The primary duties of the Audit Committee are to formulate the audit policy and audit plan, to audit the execution by Directors and executive officers of their respective duties and prepare the audit committee reports, to review the financial information and the auditor's reports and review the reports made by the internal audit team of the Group, to oversee the financial reporting process, risk management and internal control systems, and to perform other duties and responsibilities as assigned by the Board.

FINAL DIVIDEND

The Board proposed to declare a final dividend of ¥3 per ordinary share for the Reporting Period on 27 May 2020, and the final dividend will be payable on 24 June 2020 to the Shareholders whose names appear on the Company's share register at close of business on 8 June 2020. Based on the assumption that 765,985,896 shares shall be in issue as at 27 May 2020, it is expected that the final dividend payable will amount to approximately ¥2,298 million (equivalent to approximately HK$164 million). No Shareholder has waived or agreed to waive any dividends.

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 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dyjh.co.jp). The annual report of the Company for the year ended 31 March 2020 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. ¥14.03 to HK$1.00, the exchange rate prevailing on 31 March 2020 (i.e. the last business day in March 2020); or

2. ¥14.14 to HK$1.00, the exchange rate prevailing on 29 March 2019 (i.e. the last business day in March 2019).

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" 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" 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" 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.
Tatsuji FUJIMOTO
Chairman of the Board

Tokyo, Japan, 27 May 2020

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