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株式会社ダイナムジャパンホールディングス
DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

(Stock Code: 06889)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2017**

HIGHLIGHTS

- Our gross pay-ins were ¥817,777 million (or HK\$56,633 million^Δ), recording a decrease of 3.2% as compared with the year ended 31 March 2016;
- Our revenue was ¥156,869 million (or HK\$10,864 million^Δ), recording an increase of 0.6% as compared with the year ended 31 March 2016;
- Our profit before tax was ¥14,825 million (or HK\$1,027 million^Δ), recording a decrease of 14.8% as compared with the year ended 31 March 2016;
- Our profit for the year attributable to owners of the Company was ¥9,360 million (or HK\$648 million^Δ), recording a decrease of 11.2% as compared with the year ended 31 March 2016;
- We operated 446 halls as at 31 March 2017 (442 halls as at 31 March 2016);
- Basic earnings per share of the Company were ¥12.2 (or HK\$1^Δ); and
- The Board has resolved to declare a final dividend of ¥6 per ordinary share (interim: ¥6 per ordinary share).

^Δ Translated into Hong Kong dollars at the rate of ¥14.44 to HK\$1.00, the exchange rate prevailing on 31 March 2017 (i.e. the last business day in March 2017).

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 株式会社ダイナムジャパンホールディングス DYNAM JAPAN HOLDINGS Co., Ltd.* (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2017. The results have been audited by PricewaterhouseCoopers Aarata LLC, the Company’s auditor.

* For identification purpose only

SUMMARY OF FINANCIAL RESULTS

	Year ended 31 March			
	2017		2016	
	¥	HK\$	¥	HK\$
	(in millions)			
Gross pay-ins	817,777	56,633	844,885	58,148
Less: gross payouts	(660,908)	(45,769)	(688,974)	(47,417)
Revenue	156,869	10,864	155,911	10,730
Hall operating expenses	(142,142)	(9,844)	(138,326)	(9,520)
General and administrative expenses	(5,622)	(389)	(5,798)	(399)
Other income	9,224	639	8,184	563
Other operating expenses	(2,430)	(168)	(1,805)	(124)
Operating profit	15,899	1,101	18,166	1,250
Finance income	233	16	311	21
Finance expenses	(1,307)	(91)	(1,074)	(74)
Profit before income taxes	14,825	1,027	17,403	1,198
Income taxes	(5,520)	(382)	(6,864)	(472)
Net profit for the year	<u>9,305</u>	<u>644</u>	<u>10,539</u>	<u>725</u>
Net profit attributable to:				
Owners of the Company	9,360	648	10,544	726
Non-controlling interests	(55)	(4)	(5)	(Δ)
Net profit for the year	<u>9,305</u>	<u>644</u>	<u>10,539</u>	<u>725</u>
Earnings per share				
Basic	¥12.2	HK\$1	¥13.9	HK\$1
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
EBITDA ^(*)	28,469	1,972	30,494	2,099

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

Δ Less than 0.5 million

	Year ended 31 March			
	2017		2016	
	(in millions)			
	¥	HK\$	¥	HK\$
Non-current assets	142,043	9,837	145,944	10,044
Current assets	63,072	4,368	43,240	2,976
Current liabilities	38,496	2,666	30,838	2,122
Net current assets	24,576	1,702	12,402	854
Total assets less current liabilities	166,619	11,539	158,346	10,898
Non-current liabilities	29,738	2,059	25,727	1,771
Total equity	136,881	9,479	132,619	9,127

BUSINESS OVERVIEW

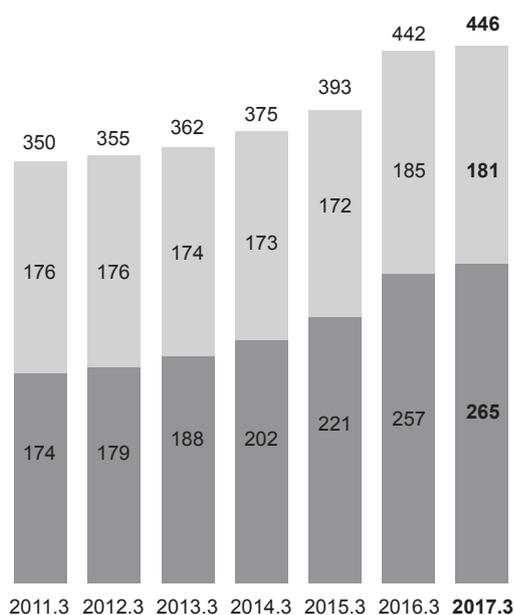
Number of Halls

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

For the year ended 31 March 2017, we opened 5 low playing cost halls. In addition, we closed 1 low playing cost hall in line with a change in our business areas. Also, we converted 5 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 446 halls in operation as of 31 March 2017.

By hall type, we operate 181 high playing cost halls and 265 low playing cost halls, with low playing cost halls making up the majority at 59% of the total.

Changes in the number of halls of the Group



As at the end of March

High playing cost halls Main hall brand: **DYNAM**

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

Low playing cost halls Main hall brand: **DYNAM Yuttari Kan/ DYNAM Shinrai no Mori**

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

Chain Store Management and Growth Strategy of the Group

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.

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 for that from store openings through to store management are crucial in advancing with 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 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 investments 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.

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				changes ⁽³⁾
	2017		2016		
	(in millions, except for percentages)				
	¥	HK\$ ⁽¹⁾	¥	HK\$ ⁽²⁾	%
Gross pay-ins					
— High playing cost halls	498,995	34,556	539,205	37,110	-7.5%
— Low playing cost halls	318,782	22,076	305,680	21,038	+4.3%
Total gross pay-ins	<u>817,777</u>	<u>56,633</u>	<u>844,885</u>	<u>58,148</u>	<u>-3.2%</u>
Gross payouts					
— High playing cost halls	417,676	28,925	455,107	31,322	-8.2%
— Low playing cost halls	243,232	16,844	233,866	16,095	+4.0%
Total gross payouts	<u>660,908</u>	<u>45,769</u>	<u>688,974</u>	<u>47,417</u>	<u>-4.1%</u>
Revenue					
— High playing cost halls	81,319	5,632	84,097	5,788	-3.3%
— Low playing cost halls	75,550	5,232	71,814	4,942	+5.2%
Total revenue	<u>156,869</u>	<u>10,864</u>	<u>155,911</u>	<u>10,730</u>	<u>+0.6%</u>

(1) Translated into Hong Kong dollars at the rate of ¥14.44 to HK\$1.00, the exchange rate prevailing on 31 March 2017 (i.e. the last business day in March 2017).

(2) Translated into Hong Kong dollars at the rate of ¥14.53 to HK\$1.00, the exchange rate prevailing on 31 March 2016 (i.e. the last business day in March 2016).

(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, operators heavily centered on high playing cost halls, and the playing revenues continue to decrease. On the other hand, we attract customers 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 being installed.

Under such an environment, the Group adopted a key policy of prioritizing hall creation from the customer's 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 companywide 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 that provides 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 5 new low playing cost halls, closed 1 hall as a result of reviewing commercial areas. Through such countermeasure, the number of halls as at the end of March 2017 became 446. By hall type, we operate 181 high playing cost halls and 265 low playing cost halls.

As overall results of our efforts mentioned above, our total gross pay-ins for the year ended 31 March 2017 was ¥817,777 million (equivalent to approximately HK\$56,633 million), recording a decrease by ¥27,108 million (equivalent to approximately HK\$1,877 million*), or 3.2%* to the previous fiscal year of ¥844,885 million (equivalent to approximately HK\$58,148 million). Also, our total revenue increased by approximately 0.6%* to ¥156,869 million (equivalent to approximately HK\$10,864 million), performing steadily under the tough business environment.

Set out below is detailed performance of our gross pay-ins, gross payouts, and revenue for this 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 ¥27,108 million (equivalent to approximately HK\$1,877 million*), or 3.2%*, from ¥844,885 million (equivalent to approximately HK\$58,148 million) for the year ended 31 March 2016 to ¥817,777 million (equivalent to approximately HK\$56,633 million) for the year ended 31 March 2017.

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

Gross pay-ins for high playing cost halls decreased by ¥40,210 million (equivalent to approximately HK\$2,785 million*), or 7.5%*, from ¥539,205 million (equivalent to approximately HK\$37,110 million) for the year ended 31 March 2016 to ¥498,995 million (equivalent to approximately HK\$34,556 million) for the year ended 31 March 2017. 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 ¥13,102 million (equivalent to approximately HK\$907 million*), or 4.3%*, from ¥305,680 million (equivalent to approximately HK\$21,038 million) for the year ended 31 March 2016 to ¥318,782 million (equivalent to approximately HK\$22,076 million) for the year ended 31 March 2017. The increase was due primarily to positive effect of operational measures for improvement of machine utilization and increased number of halls.

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 ¥28,066million (equivalent to approximately HK\$1,944 million*), or 4.1%*, from ¥688,974 million (equivalent to approximately HK\$47,417 million) for the year ended 31 March 2016 to ¥660,908 million (equivalent to approximately HK\$45,769 million) for the year ended 31 March 2017.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥37,431 million (equivalent to approximately HK\$2,592 million*), or 8.2%*, from ¥455,107 million (equivalent to approximately HK\$31,322 million) for the year ended 31 March 2016 to ¥417,676 million (equivalent to approximately HK\$28,925 million) for the year ended 31 March 2017, which was in line with the decrease in gross pay-ins.

Gross payouts for low playing cost halls increased by ¥9,366 million (equivalent to approximately HK\$649 million*), or 4%*, from ¥233,866 million (equivalent to approximately HK\$16,095 million) for the year ended 31 March 2016 to ¥243,232 million (equivalent to approximately HK\$16,844 million) for the year ended 31 March 2017. The increase was due primarily to the increase in gross pay-ins as a result of the increased number of halls.

Revenue and revenue margin

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

Our total revenue was ¥155,911 million (equivalent to approximately HK\$10,730 million) and ¥156,869 million (equivalent to approximately HK\$10,864 million) for the years ended 31 March 2016 and 2017 respectively. During this fiscal year, our total revenue increased year on year through our operational measures including change in machine mix.

Our revenue by hall type are as follows.

Revenue for high playing cost halls decreased by ¥2,778 million (equivalent to approximately HK\$192 million*), or 3.3%*, from ¥84,097 million (equivalent to approximately HK\$5,788 million) for the year ended 31 March 2016 to ¥81,319 million (equivalent to approximately HK\$5,632 million) for the year ended 31 March 2017. The decrease was primarily due to a decrease in gross pay-ins. The revenue margin for the year ended 31 March 2017 increased by 0.7 points to 16.3% year-on-year, reflecting decreased ratio of gross payouts to gross pay-ins. The decrease in the ratio of gross payouts was a result of change in mix of machines implemented to encourage machine utilization in high playing cost halls.

Revenue for low playing cost halls increased by ¥3,736 million (equivalent to approximately HK\$259 million*), or 5.2%*, from ¥71,814 million (equivalent to approximately HK\$4,942 million) for the year ended 31 March 2016 to ¥75,550 million (equivalent to approximately HK\$5,232 million) for the year ended 31 March 2017. The revenue margin was 23.7% for the year ended 31 March 2017 and maintained the same level as the previous fiscal year.

Hall operating expenses

Hall operating expenses for the year ended 31 March 2017 was ¥142,142 million (equivalent to approximately HK\$9,844 million), recording an increase by ¥3,816 million (equivalent to approximately HK\$264 million*), or 2.8%* as compared to the previous fiscal year of ¥138,326 million (equivalent to approximately HK\$9,520 million).

Our hall operating expenses by hall type are as follows.

Hall operating expenses for high playing cost halls decreased by ¥2,627 million (equivalent to approximately HK\$182 million*), or 3.8%*, from ¥70,001 million (equivalent to approximately HK\$4,818 million) for the year ended 31 March 2016 to ¥67,374 million (equivalent to approximately HK\$4,666 million) for the year ended 31 March 2017. The average hall operating expenses per hall also decreased by 1.6% due primarily to the decrease in average pachinko and pachislot machine expenses reflecting reduced procurement of pachinko and pachislot machines.

Hall operating expenses for low playing cost halls increased by ¥6,442 million (equivalent to approximately HK\$446 million*), or 9.4%*, from ¥68,325 million (equivalent to approximately HK\$4,702 million) for the year ended 31 March 2016 to ¥74,767 million (equivalent to approximately HK\$5,178 million) for the year ended 31 March 2017, due primarily to the increase in all expense accounts such as hall staff costs associated with increased number of halls through new hall openings and conversion of hall type. The average hall operating expenses also increased by 6.1%.

General and administrative expenses

General and administrative expenses decreased by ¥176 million (equivalent to approximately HK\$12 million*), or 3%*, from ¥5,798 million (equivalent to approximately HK\$399 million) for the year ended 31 March 2016 to ¥5,622 million (equivalent to approximately HK\$389 million) for the year ended 31 March 2017. The decrease was primarily due to the outcome of improved productivity such as cost reduction.

Other income

Other income for the years ended 31 March 2016 and 2017 were ¥8,184 million (equivalent to approximately HK\$563 million) and ¥9,224 million (equivalent to approximately HK\$639 million), respectively. The increase was primarily attributable to increased commission income from vending machines and in-store sales, increased income from catering services, and increased net gain on disposal of used machines.

Other operating expenses

Other operating expenses increased by ¥625 million (equivalent to approximately HK\$43 million*), or 34.6%*, from ¥1,805 million (equivalent to approximately HK\$124 million) for the year ended 31 March 2016 to ¥2,430 million (equivalent to approximately HK\$168 million) for the year ended 31 March 2017. The increase was primarily attributable to the increased impairment loss on property, plant, and equipment, increased rental cost, and increased loss on disposal of property, plant, and equipment.

Finance income

Finance income decreased by ¥78 million (equivalent to approximately HK\$5 million*), or 25.1%*, from ¥311 million (equivalent to approximately HK\$21 million) for the year ended 31 March 2016 to ¥233 million (equivalent to approximately HK\$16 million) for the year ended 31 March 2017. The increase was primarily attributable to the decreased dividends income and bank interest income.

Finance expenses

Finance expenses increased by ¥233 million (equivalent to approximately HK\$16 million*), or 21.7%*, from ¥1,074 million (equivalent to approximately HK\$74 million) for the year ended 31 March 2016 to ¥1,307 million (equivalent to approximately HK\$91 million) for the year ended 31 March 2017. The increase was primarily attributable to the increased net exchange loss.

* 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 2017

	Note	2017 ¥ million	2016 ¥ million
Revenue	5	156,869	155,911
Hall operating expenses	6(a)	(142,142)	(138,326)
General and administrative expenses	6(b)	(5,622)	(5,798)
Other income	8(a)	9,224	8,184
Other operating expenses	8(b)	(2,430)	(1,805)
Operating profit		15,899	18,166
Finance income	9	233	311
Finance expenses	10	(1,307)	(1,074)
Profit before income tax		14,825	17,403
Income taxes	11	(5,520)	(6,864)
Net profit for the year		9,305	10,539
Net profit attributable to:			
Owners of the Company		9,360	10,544
Non-controlling interests		(55)	(5)
Net profit		9,305	10,539
Earnings per share	13		
Basic (¥)		12.2	13.9
Diluted (¥)		12.2	13.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 ¥ million	2016 ¥ million
Net profit for the year	9,305	10,539
Other comprehensive income/(loss):		
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement plans	6	(9)
— Income tax effect arising from actuarial gain or loss thereof	(2)	3
Revaluation surplus for properties	18	—
— Income tax effect arising from revaluation surplus for properties	(6)	—
Changes in fair value of financial assets measured at fair value through other comprehensive income/(loss)	3,966	(4,510)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income	(30)	237
	<u>3,952</u>	<u>(4,279)</u>
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	43	(494)
	<u>43</u>	<u>(494)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>3,995</u>	<u>(4,773)</u>
Total comprehensive income for the year	<u>13,300</u>	<u>5,766</u>
Total comprehensive income attributable to:		
Owners of the Company	13,347	5,768
Non-controlling interests	(47)	(2)
Total comprehensive income	<u>13,300</u>	<u>5,766</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Note	2017 ¥ million	2016 ¥ million
Non-current assets			
Property, plant and equipment		106,687	109,532
Investment properties		1,627	2,179
Intangible assets		3,833	3,991
Financial assets measured at fair value through other comprehensive income		7,008	6,479
Deferred tax assets		11,150	11,229
Other non-current assets		11,738	12,534
		<u>142,043</u>	<u>145,944</u>
Current assets			
Inventories		3,528	3,580
Trade receivables	14	563	459
Prizes in operation of pachinko halls		4,833	4,916
Other current assets		5,649	6,151
Cash and cash equivalents		48,499	28,134
		<u>63,072</u>	<u>43,240</u>
TOTAL ASSETS		<u>205,115</u>	<u>189,184</u>
Current liabilities			
Trade and other payables	15	18,282	17,786
Borrowings		7,281	2,369
Finance lease payables		302	86
Provisions		1,892	1,731
Income taxes payables		3,258	2,497
Other current liabilities		7,481	6,369
		<u>38,496</u>	<u>30,838</u>
Net current assets		<u>24,576</u>	<u>12,402</u>
Total assets less current liabilities		<u>166,619</u>	<u>158,346</u>

	<i>Note</i>	2017 ¥ million	2016 ¥ million
Non-current liabilities			
Deferred tax liabilities		6	20
Borrowings		22,768	18,394
Finance lease payables		575	126
Retirement benefit obligations		234	243
Other non-current liabilities		807	1,685
Provisions		5,348	5,259
		29,738	25,727
NET ASSETS		136,881	132,619
Capital and reserves			
Share capital		15,000	15,000
Capital reserve		12,741	12,883
Treasury shares		–	(289)
Retained earnings		112,403	110,253
Other component of equity		(3,191)	(5,202)
Equity attributable to owners of the Company		136,953	132,645
Non-controlling interests		(72)	(26)
TOTAL EQUITY		136,881	132,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 consolidated financial statements of the Company as of 31 March 2017 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 25 May 2017.

In the opinion of the directors of the Company, as at 31 March 2017, 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, investment properties and defined benefit pension plan which are carried at their fair values.

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 2016 with no impact on the Group’s results of operations and financial position:

- IFRSs (Amendment), ‘Annual Improvements to IFRSs 2012–2014 Cycle’
- IFRS10, IFRS12 and IAS28 (Amendment), Clarification on investment entities applying the consolidation exception
- IAS1 (Amendment), Disclosure Initiative’
- IAS16 and IAS38 (Amendment), Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 19 Clarification of employee benefits
- IAS27 (Amendment), Equity Method in Separate Financial Statements

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
IAS7 (Amendment)	Disclosure Initiative	1 January 2017	March 2018	Amendment with regard to improving information about financing activities.
IAS12 (Amendment)	Recognition of Deferred Tax Assets for Losses Unrealised	1 January 2017	March 2018	Amendment with regard to clarifying the requirements on recognition of deferred tax assets for unrealized losses
IAS40 (Amendment)	Investment Property	1 January 2018	March 2019	Amendment with regard to the clarification of the requirements on transfers to, or from, investment property
IFRSs (Amendment)	Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2018	March 2019	Minor amendments that clarifying, correcting or removing redundant wording in a Standard
IFRS15	Revenue from Contracts with Customers	1 January 2018	March 2019	Amendment with regard to the accounting of revenue recognition
IFRS16	Leases	1 January 2019	March 2020	Requirement for lessee to recognise most lease contracts on the statement of financial position
IFRIC22	Foreign Currency Transactions and Advance Consideration	1 January 2018	March 2019	The exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency

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

	2017 ¥ million	2016 ¥ million
Gross pay-ins	817,777	844,885
Less: Gross payouts	<u>(660,908)</u>	<u>(688,974)</u>
Revenue	<u><u>156,869</u></u>	<u><u>155,911</u></u>

6. HALL OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

(a) Hall operating expenses

	2017 ¥ million	2016 ¥ million
Advertising expenses	5,098	4,817
Cleaning and ancillary services	3,973	3,707
Depreciation charges expenses	11,536	10,453
Hall staff costs	49,974	47,372
Pachinko and pachislot machine expenses	34,229	35,832
Rental expenses	12,950	12,048
Repair and maintenance expenses	3,074	3,676
Utilities expenses	6,116	6,093
Others	<u>15,192</u>	<u>14,328</u>
	<u><u>142,142</u></u>	<u><u>138,326</u></u>

(b) General and administrative expenses

	2017 ¥ million	2016 ¥ million
Salaries, bonus and allowances	3,286	3,219
Audit fee	96	113
Others	<u>2,240</u>	<u>2,466</u>
	<u><u>5,622</u></u>	<u><u>5,798</u></u>

7. STAFF COSTS AND DIRECTOR'S EMOLUMENTS

	2017 ¥ million	2016 ¥ million
Salaries, bonus and allowances	56,991	54,281
Expenses recognised in respect of defined benefit retirement plans	46	20
Contribution to defined contribution retirement plans	<u>822</u>	<u>839</u>
	<u><u>57,859</u></u>	<u><u>55,140</u></u>

8. OTHER INCOME AND OTHER EXPENSES

(a) Other income

	2017 ¥ million	2016 ¥ million
Commission from vending machines and in-store sales	4,758	4,240
Income from forfeiture of customer's membership cards	233	254
Income from catering services	642	514
Sales from property held for sale	674	858
Net gains on disposals of used machines	797	423
Rental income	944	694
Others	1,176	1,201
	<u>9,224</u>	<u>8,184</u>

(b) Other operating expenses

	2017 ¥ million	2016 ¥ million
Disposal cost of non-financial assets	487	321
Impairment loss of non-financial assets	424	189
Cost of sales of property held for sale	267	440
Rental cost	532	322
Others	720	533
	<u>2,430</u>	<u>1,805</u>

9. FINANCE INCOME

	2017 ¥ million	2016 ¥ million
Bank interest income	3	16
Dividend income	133	161
Others	97	134
	<u>233</u>	<u>311</u>

10. FINANCE EXPENSES

	2017 ¥ million	2016 ¥ million
Interest expenses	222	299
Amortisation of syndicated loan charges	212	322
Foreign exchange loss, net	787	368
Others	86	85
	<u>1,307</u>	<u>1,074</u>

11. INCOME TAXES

	2017 ¥ million	2016 ¥ million
Current taxes — Japan Profits Tax		
Provision for the year	5,441	5,197
Under-provision in prior years	<u>65</u>	<u>9</u>
	5,506	5,206
Current taxes — Overseas		
Provision for the year	1	28
Under-provision in prior years	<u>(25)</u>	<u>—</u>
	(24)	28
Deferred taxes		
Provision for the year	<u>38</u>	<u>1,630</u>
Income tax expense	<u>5,520</u>	<u>6,864</u>

As a result of the 2017 Tax Reform passed on 29 March 2017, applicable effective tax rate used to measure the deferred tax assets/liabilities at the period end was reduced from 33% to 32% for the year ending 31 March 2018, and from 33% to 31% for the year ending 31 March 2019 and after.

The change of corporate tax rate does not have a material impact to the Group consolidated financial statements.

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 2017.

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

	2017 ¥ million	2016 ¥ million
Profit before tax	<u>14,825</u>	<u>17,403</u>
Japan Profits Tax rate	32%	33%
Tax at the domestic income tax rate	4,698	5,743
Tax effect of income that is not taxable	(140)	(281)
Tax effect of expenses that are not deductible	542	674
Tax effect of temporary differences not recognised	131	(4)
Tax losses not recognised	284	305
Under-provision in prior years	40	9
Effect of different tax rates of subsidiaries	(18)	(29)
Effect of change in tax rate	17	251
Others	<u>(34)</u>	<u>196</u>
Income tax expense	<u>5,520</u>	<u>6,864</u>

12. DIVIDENDS

Dividends declared and paid/ payable to its shareholders by:	2017		2016	
	Dividend per share ¥	Total dividends ¥ million	Dividend per share ¥	Total dividends ¥ million
— Interim	6.00	4,596	7.00	5,465
— Final	6.00	4,596	6.00	4,590
		<u>9,192</u>		<u>10,055</u>

On 25 May 2017, the Board of Directors declared a final dividend of ¥6.00 per ordinary share of the Company, which is payable on 23 June 2017 to the shareholders of the Company.

The amount of proposed final dividend for the year ended 31 March 2017 is based on 765,985,896 shares in issue as at 25 May 2017 when the consolidated financial statements was approved by the Board of directors.

If the Group owns any treasury shares as at 2 June 2017 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 of 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:

	2017 ¥ million	2016 ¥ million
Earnings for the purpose of calculating basic earnings per share	<u>9,360</u>	<u>10,544</u>
Weighted average number of ordinary shares	<u>765,495,485</u>	<u>757,341,412</u>
Basic earnings per share (¥)	<u>12.2</u>	<u>13.9</u>

Diluted earnings per share was the same as basic earnings per share for the year ended 31 March 2017 and 2016 as there were no dilutive potential ordinary shares in existence during the year ended 31 March 2017 and 2016.

14. TRADE RECEIVABLES

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

	2017 ¥ million	2016 ¥ million
1 to 30 days	470	432
31 days to 60 days	26	23
Over 60 days	67	4
	<u>563</u>	<u>459</u>

There is no significant past due balance nor loss allowance provision recognised for trade receivables as at 31 March 2017 (2016: Nil).

15. TRADE AND OTHER PAYABLES

	2017 ¥ million	2016 ¥ million
Trade payables	1,698	1,432
Halls construction and system payables	2,399	2,438
Other tax expenses	2,816	2,492
Pachinko and pachinslot machine payables	2,340	2,340
Accrued staff costs	7,913	8,102
Others	1,116	982
	<u>18,282</u>	<u>17,786</u>

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

	2017 ¥ million	2016 ¥ million
1 to 30 days	1,491	1,372
31 days to 60 days	126	11
Over 60 days	81	49
	<u>1,698</u>	<u>1,432</u>

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 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 2016 was held on 23 June 2016, while the AGM notice was dispatched on 31 May 2016. The above arrangement complies with the Articles of Incorporation prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) but the AGM notice period 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 2016). 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 22 June 2017 and its notice will be dispatched on 30 May 2017, 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. Mr. Kohei SATO has been in both roles during the Reporting Period and up to the Latest Practical Date.

However, the Board believes that Mr. Kohei SATO, in his dual capacity as the chairman of the Board and the Chief Executive Officer, will provide strong and consistent leadership for the development of the Company and its subsidiaries, and

this will be beneficial and in the interests of the Company and 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.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules and the “Rules on Prevention of Insider Dealings” as 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 and employees of the Company who are likely to have access to unpublished inside information of the Group. The Company has made specific enquiry to all of the Directors, and all of the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the “Rules on Prevention of Insider Dealings” throughout the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The audit committee held 15 meetings during the Reporting Period with an attendance rate of 100% except that Mr. Eisho KUNITOMO was absent in 1 out of the 15 meetings. The results for the Reporting Period have been reviewed by the audit committee.

FINAL DIVIDEND

The Board proposed to declare a final dividend of ¥6 per ordinary Share for the Reporting Period on 25 May 2017, and the final dividend will be payable on 23 June 2017 to the Shareholders whose names appear on the Company’s share register at close of business on 2 June 2017. Based on the assumption that 765,985,896 Shares shall be in issue as at 2 June 2017, it is expected that the final dividend payable will amount to approximately ¥4,596 million (equivalent to approximately HK\$318 million). As at the Latest Practicable Date, no Shareholder has waived or agreed to waive any dividends.

ACQUISITION, SALE OR CANCELLATION OF THE COMPANY'S OWN SHARES

As at 31 March 2016, 844,200 ordinary Shares were repurchased but not yet cancelled. As at 28 April 2016, all the repurchased Shares had been cancelled. Please note that Yume Corporation, our subsidiary, have sold 1,000,000 ordinary Shares of the Company during the Reporting Period. This amounted to 0.13% of total issued shares of the Company and the share price was set at ¥162 per share in an off-market trade on 27 September 2016.

Save as disclosed, 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 Hong Kong 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 2017 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. ¥14.44 to HK\$1.00, the exchange rate prevailing on 31 March 2017 (i.e. the last business day in March 2017); or
2. ¥14.53 to HK\$1.00, the exchange rate prevailing on 31 March 2016 (i.e. the last business day in March 2016).

No representation is made that the 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.

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

“gross pay-ins”	the amount received from pachinko balls and pachislot tokens rented to customers less unutilized balls and tokens
“gross payouts”	the aggregate costs of G-prizes and general prizes exchanged by customers for pachinko balls or pachislot tokens collected at halls
“Group”	the Company and its subsidiaries at the relevant time
“high playing cost halls”	our hall type primarily featuring high playing cost machines and mainly operating under the brand of DYNAM and including Yume Corporation halls and Cabin Plaza halls
“high playing cost machines”	pachinko machines with a playing cost of 4-yen per pachinko ball and pachislot machines with a playing cost of 20-yen per pachislot token
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ICT”	information and communication technology
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“individual ball counter system”	the system for counting balls and tokens introduced at each machine at each of our halls, which enables us to manage pachinko ball and pachislot token numbers at each machine. Use of this system eliminates the need for customers to stack and carry boxes of balls they earn during game play and also reduces work volume and work hours for pachinko hall staff. This has led to reduced personnel expenses and improved personnel productivity at our halls
“Latest Practicable Date”	25 May 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)

“low playing cost halls”	our hall type primarily featuring low playing cost machines and mainly operating under the brand of <i>Yuttari Kan</i> and <i>Shinrai no Mori</i> , and including Yume Corporation halls and Cabin Plaza halls
“low playing cost machines”	pachinko machines with playing costs less than 4-yen per pachinko ball and pachislot machines with playing costs of less than 20-yen per pachislot token
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“our”, “we”, or “us”	the Company, or where the context requires, the Company and its subsidiaries collectively
“pachinko balls” or “balls”	small metal balls used to play pachinko games
“pachislot tokens” or “tokens”	small metal tokens used to play pachislot games
“PRC”	The People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Reporting period”	the period from 1 April 2016 to 31 March 2017
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder”	holder(s) of the issued share(s)
“ <i>Shinrai no Mori</i> ” (信頼の森)	our pachinko hall brand and hall type featuring primarily low playing cost machines in a non-smoking environment with reduced noise levels, space for players to relax and socialise, and a larger selection of general prizes
“Yume Corporation”	Yume Corporation Co., Ltd.* (夢コーポレーション株式会社), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 14 December 1970. It has become a wholly-owned subsidiary of the Company under the scheme of the share exchange on 1 November 2015

“Yuttari Kan” (ゆったり館) our pachinko hall brand and hall type featuring primarily low playing cost machines

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

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

Tokyo, Japan, 25 May 2017

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