

DYNAM JAPAN ANNOUNCES FY2016/17 ANNUAL RESULTS

(Hong Kong, 25 May 2017) – **DYNAM JAPAN HOLDINGS Co., Ltd.** (“DYNAM JAPAN”, together with its subsidiaries, “the Group,” stock code: 6889), the leading pachinko hall operator in Japan, announced its annual results for the year ended 31 March 2017 (“review year”).

During the review year, the Group recorded gross pay-ins¹ of ¥817,777 million (HK\$56,633 million*) and revenue² up by 0.6% year-on-year to ¥156,869 million (HK\$10,864 million*). Its profit before income tax and net profit decreased to ¥14,825 million (HK\$1,027 million*) and ¥9,305 million (HK\$644 million*) respectively, mainly due to the declining number of customers in the high playing cost halls and the continued replacement of high playing cost machines to low playing cost ones during the review year. The control on the volatility of the machines negatively affected the profitability of the whole industry. As a result, the Group could not avoid such an impact on our business, especially for our high playing cost halls segment. The Board of Directors proposed to declare a final dividend of ¥6 per ordinary share.

As at 31 March 2017, the Group operated the largest pachinko hall network with a total of 446 halls across Japan (As at 31 March 2016: 442 halls). To adapt to the changing market environment, the Group converted five high playing cost halls to low playing cost halls and opened five more of the latter during the review year, reducing the number of high playing cost halls to 181 and increasing the number of low playing cost halls to 265, and the latter made up 59% of all pachinko halls of the Group as at 31 March 2017. At the same time, the Group put more emphasis on deploying low playing cost machines to increase customer traffic. As at December 2016, the Group’s installation ratio of low playing cost machines was 70.5%, which markedly exceeded the nationwide average of 46.4%.

The pachinko industry is facing enormous challenges due to the uncertain economic outlook of Japan and worldwide. However, the Group has implemented various effective measures such as promoting multiple-hall development under chain-store management and maintaining low-cost operations, to further solidify its market leadership and enhance earning. Leveraging on its economies of scale, the Group is well-poised to pursue possible acquisitions for maximising mass market return and increasing market share. Furthermore, the Group has kept its low-cost operations by using second-hand gaming machines, establishing its own distribution centres and using ICT systems to streamline hall operations and reduce personnel expenses.

¹ Gross pay-ins represents the amount received from pachinko balls and pachislot tokens rented to customers less unutilised balls and tokens.

² Revenue represents the gross pay-ins, less gross payouts to customers and revenue margin represents revenue divided by gross pay-ins.

* 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 percentage increases and decrease refer to the changes in respect of the Japanese yen.

Mr Kohei SATO, Chairman and CEO of DYNAM JAPAN, said, “We will continue to work hard on creating higher value for our customers. With customers shifting their focus from winning prizes to playing games for leisure enjoyment, we are transforming our halls nationwide, such as focusing more on low playing cost machines, refurbishing halls to suit customers’ tastes and preferences, and implementing various experimental sales policies. Moreover, as an effort to improve operation, we also encourage companywide sharing of success stories of improvements made to the gaming environment and sales measures that have given customers better experience. We believe these measures will create a more enjoyable space for our customers and in turn allow us to sustain business growth. We hope to ultimately achieve our vision of reinventing the pachinko as a genuine form of public entertainment that everyone can enjoy.”

For details, please refer to the below announcement link:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0525/LTN20170525305.pdf>

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About DYNAM JAPAN HOLDINGS Co., Ltd. (stock code: 6889)

Established in 1967, DYNAM JAPAN HOLDINGS Co., Ltd. ("DYNAM") is the largest pachinko halls operator in Japan in terms of number of halls. DYNAM operates three types of halls, namely “Traditional,” “Yuttari Kan” and “Shinrai no Mori,” which offer various mixes of pachinko and pachislot games with different playing costs. DYNAM is also planning to develop an integrated resort at Yamaguchi Prefecture. DYNAM benefits from its nationwide network through greater economies of scale and a more expansive geographic reach. DYNAM is a constituent of the Hang Seng Foreign Companies Composite Index.

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