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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

**HIGHLIGHTS**

- Our gross pay-ins were ¥425,297 million (or HK\$30,163 million<sup>△</sup>), recording a decrease of 9.6% as compared with the six months ended 30 September 2013;
- Our revenue was ¥80,682 million (or HK\$5,722 million<sup>△</sup>), recording a decrease of 1.8% as compared with the six months ended 30 September 2013;
- Our profit before income taxes was ¥14,729 million (or HK\$1,045 million<sup>△</sup>), recording a decrease of 8.7% as compared with the six months ended 30 September 2013;
- Our net profit for the period attributable to owners of the Company was ¥9,040 million (or HK\$641 million<sup>△</sup>), recording a decrease of 12.4% as compared with the six months ended 30 September 2013;
- We operated 380 halls as at 30 September 2014 (363 halls as at 30 September 2013);
- Basic earnings per share of the Company were ¥12.17 (or HK\$0.9<sup>△</sup>); and
- The Board has resolved to declare an interim dividend of ¥7 per ordinary share.

<sup>△</sup> Translated into Hong Kong dollars at the rate of ¥14.10 to HK\$1.00, the exchange rate prevailing on 30 September 2014 (i.e. the last business day in September 2014).

*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 interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2014. The results have been reviewed by PricewaterhouseCoopers Aarata, the Company’s auditor and the audit committee of the Company.

\* For identification purposes only

## SUMMARY OF FINANCIAL RESULTS

	Six months ended 30 September			
	2014		2013	
	¥	(in million) HK\$	¥	HK\$
Gross pay-ins	425,297	30,163	470,532	37,167
Less: gross payouts	(344,615)	(24,441)	(388,373)	(30,677)
Revenue	80,682	5,722	82,159	6,490
Hall operating expenses	(64,791)	(4,595)	(67,571)	(5,337)
General and administrative expenses	(2,383)	(169)	(1,412)	(112)
Other income	3,549	252	3,046	241
Other operating expenses	(990)	(70)	(237)	(19)
Operating profit	16,067	1,140	15,985	1,263
Finance income	1,028	73	552	44
Finance expenses	(2,366)	(168)	(402)	(32)
Profit before income taxes	14,729	1,045	16,135	1,274
Income taxes	(5,693)	(404)	(5,852)	(462)
Net profit for the period	9,036	641	10,283	812
Net profit attributable to Owners of the Company	9,040	641	10,315	815
Non-controlling interests	(4)	(Δ)	(32)	(2)
	9,036	641	10,283	812
Earnings per share				
Basic	¥12.17	HK\$0.9	¥13.88	HK\$1.1
Diluted	N/A	N/A	N/A	N/A
EBITDA	21,522	1,526	21,237	1,677

Δ: Less than HK\$0.5 million.

	30 September 2014		31 March 2014	
	(in million)			
	¥	HK\$	¥	HK\$
Non-current assets	131,496	9,326	135,223	10,175
Current assets	47,209	3,348	50,946	3,833
Current liabilities	32,618	2,313	34,910	2,627
Net current assets	14,591	1,035	16,036	1,207
Total assets less current liabilities	146,087	10,361	151,259	11,381
Non-current liabilities	5,518	391	9,249	696
Total equity	140,569	9,969	142,010	10,685

## **BUSINESS OVERVIEW**

### **MARKET TRENDS**

#### **The Pachinko Industry Represents a Massive Market**

The pachinko industry has come to represent a massive domestic market in Japan. The Leisure White Paper 2014 published by the Japan Productivity Center estimates the size of the pachinko and pachislot industry to be ¥18.8 trillion. Further, in industry comparison research conducted by the Pachinko Trustee Board, the pachinko and pachislot industry plays a major role in job creation in Japan with 310,000 employees, which is approximately 1.5 times the number employed by Japan's top ten automotive companies\*.

The pachinko market has been facing a decline in size in recent years on the back of factors including diversification in use of leisure time in Japan and stagnation in personal income growth; however, there is still potential in the market for operators that develop multiple pachinko and pachislot halls such as the Group. The pachinko industry is highly fragmented and hall operators operating networks of over 10 halls is limited to the few in the entire industry. The Group held approximately 3.0% market share in terms of the number of halls as of December 2013. We believe that there is significant potential to expand in terms of both scale of operations and market share.

(Source: "Challenge Book 2015" published by the Pachinko Chain Stores Association.)

*Note:* The above comparison data of industries were developed by Pachinko Chain Stores Association based on the government statistics and other industry trend research data obtained during the period from 2009 to 2013.

\* 10 major automobile manufacturers consist of Toyota Motor Corporation, Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Suzuki Motor Corporation, MAZDA Motor Corporation, MITSUBISHI MOTORS CORPORATION, Fuji Heavy Industries Ltd., Daihatsu Motor Co., Ltd., Isuzu Motors Limited and Hino Motors, Ltd.

## **CHAIN STORE MANAGEMENT AND GROWTH STRATEGY OF THE GROUP**

### **Multiple-hall Development and Low-cost Operations**

The Group holds the No.1 position in the industry in terms of hall numbers. We aim for sustainable profit growth over the long term by taking maximum advantage of the economies of scale of multiple-hall development based on our theory of chain store operations. We aim to reach a total of 1,000 halls and a market share of 10% by the end of March 2023.

The Group is proactively promoting low playing cost games through multiple halls as the pillar of our growth strategy. Low playing cost games involve reducing costs to users by setting ¥1-per-ball and ¥5-per-token games (as opposed to conventional ¥4-per-ball and ¥20-per-token games) to enable customers to have enjoyment without imposing significant cost burden on them, and these games are also increasing in popularity with other pachinko companies.

Nevertheless, while low playing cost games lead to increase in customer numbers and visit frequency, and acquisition of new customer base, there is also a risk of decreased profitability at pachinko halls. Because of this, innovation and expertise are essential in the promotion of low cost playing games from new hall development to hall operations, and the Group is taking advantage of our position as an operator driving economies of scale through actions such as the purchase of gaming machines and general prizes through our multiple hall model.

As well as building a sound financial base in this environment, the Group is moving quickly to introduce management techniques based on our theory of chain-store operations, which is well-established in the retail industry. By standardizing hall formats and sizes, we accurately manage development costs. Further, we aim to rationalize the key costs related to machines and personnel, which make up approximately 60% of hall operational expenses, through efficient hall development making use of private brand and second-hand machines, establishment of distribution centers, and use of information technology.

The human resources, knowledge and expertise of the Group and the relationships of trust we have with our corporate partners and local communities support these strategies, and these management resources are the source of our medium to long-term growth. Going forward, the Group will continue to pursue low-cost operations by executing chain store management, and aim to realize sustainable growth in profitability from a long-term perspective.

## Low-cost Operations and Business Foundations

### *Hall Development Strategy*

Based on the theory of chain-store operations, we have standardized development of new halls and we are taking actions focused on developing low playing cost halls. We aim to steadily increase revenue and profit while reducing the risk of profit decline with low playing cost games by driving economies of scale through standardized multiple-hall development in this way.

#### ■ *Shift to Low Playing Cost Games*

Operating low playing cost games such as ¥1-per-ball and ¥5-per-token games (as opposed to conventional ¥4-per-ball and ¥20-per-token games) enables customer to enjoy while controlling playing costs, which leads to improvement in customer numbers and visit frequency. It also enables us to expect penetration into customer categories such as female and elderly users. In recent years, customer needs have been increasingly shifting toward gaming as a pastime-oriented activity to enjoy for leisure rather than primarily to seek prizes.

However, as there is a risk of declining hall profitability in these kinds of low paying cost games, it is essential to use innovation and expertise to enable the promotion of low-cost operations. The Group drives economies of scale through our multiple-hall development, and we are building systems to enable the steady build-up of profit even with low playing cost games. The national average of low playing cost machines is 41.1%; however, the Group has developed this to 66.4% as at 30 June 2014.

Going forward, we will proactively develop low cost playing games under our vision of reinventing pachinko as a genuine public entertainment that everyone can enjoy.

#### ■ *Operation of Three Hall Types Centered on Yuttari Kan with Low Playing Cost Games*

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

As at 30 September 2014, we are operating 184 *Yuttari Kan* halls throughout Japan with low playing cost games. The total of our *Yuttari Kan* and *Shinrai no Mori* is 209 halls, representing a majority of 55% of our total nationwide operations.

## Hall Number Transition by Hall Type

Hall Type	As at	As at	Unit: Hall
	30 September 2014	30 September 2013	Change
<i>Traditional</i>	171	174	-3
<i>Yuttari Kan</i>	184	155	+29
<i>Shinrai no Mori</i>	25	34	-9
Total	<u>380</u>	<u>363</u>	<u>+17</u>

The number of halls as at 30 September 2014 increased by 17 halls compared with the number of halls as at 30 September 2013. We opened 5 new *Yuttari Kan* halls during the period from 1 April 2014 to 30 September 2014. Further, we have converted 2 *Traditional* halls and 5 *Shinrai no Mori* halls to *Yuttari Kan* halls.

### ■ *Standardization and Multiple-Hall Development*

As the industry leader in terms of hall numbers, we aim to achieve 1,000 halls by the end of March 2023, and we are taking actions in multiple-hall development through the establishment of new halls.

In our efforts to establish new halls, we are standardizing hall types and controlling start-up costs by focusing market of highly-populated regions where we can minimize rent expenses. We are also taking advantage of economies of scale of multiple-hall development to constrain the purchase costs of gaming machines and general prizes when establishing new halls.

The Group has set the following benchmarks for our standardized hall model:

- Targeting small rural and commercial zones with populations of 30,000 to 50,000.

The Group promotes a strategy of hall development in suburban areas (suburban population centers). We target to have new hall development in small rural and commercial zones with populations of 30,000 to 50,000 people.

- Standardized installation of 480 to 560 gaming machines

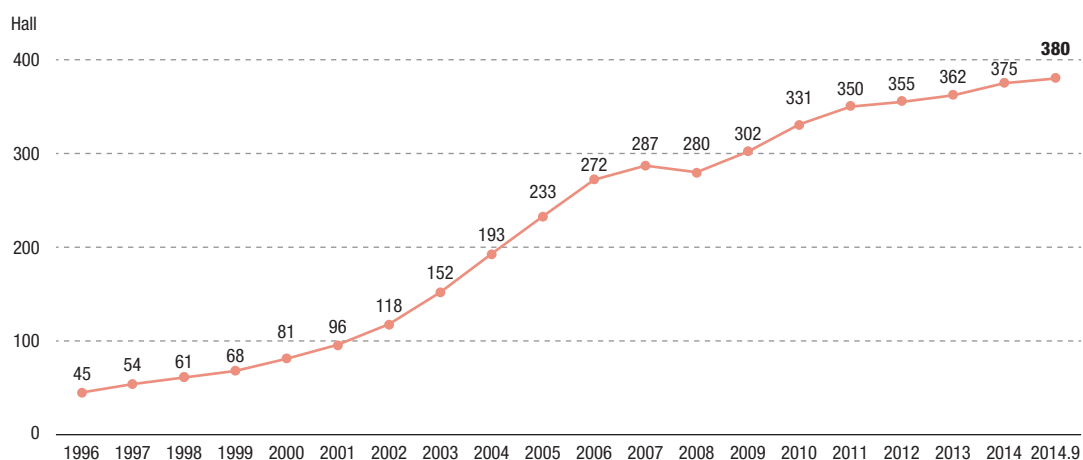
We have prepared layouts for the full range of hall feature specifications from bathroom facilities to signage for our pachinko and pachislot halls based on standardized gaming machine numbers of 480 to 560 machines. This enables us to reduce initial investment costs in areas including building expenses and construction lead times.

— 20-year leases and standardized wood construction

As a general rule, we construct wooden halls on sites leased for 20 years in our new hall development (fixed-term leasehold contracts for business). This enables us to avoid excessive investments associated with purchasing land and easily withdraw in the event of future changes in the marketplace. Further, fixed-asset depreciation is almost complete at the conclusion of the 20-year term, minimizing losses on retirement of assets. Furthermore, the development of multiple standardized halls enables us to reduce design expenses and gain efficiencies in purchasing of construction materials.

As at the end of March  
(except for “2014.9”)

### Transition in the number of Halls of the Group



### ***Hall Operational Strategy***

The Group drives economies of scale by taking its chain store management approach and thoroughly controlling costs after establishment of new halls. In particular, we believe that optimization of machine and personnel expenses, which make up approximately 60% of hall operational expenses, is extremely important in terms of cost management. In order to control gaming machine expenses, we take advantage of distribution centers operated by the Group to move machines among halls as well as deploying private brand and second-hand machines throughout our halls nationwide. Further, we are taking proactive actions in areas including introduction of information technology systems, control of personnel expenses and efficiency in various business operations.

## ■ *Private Brand and Second-hand Machines*

As the cost of gaming machines continues to rise each year on the back of skyrocketing development and component costs, the Group is working proactively to install private brand and second-hand gaming machines in our halls. We aim to reduce hall operation expenses by controlling machine costs (costs related to the procurement of gaming machines) through measures including installing not only popular, hit and new machines but also private brand and second-hand machines, which we can source at lower cost, and using distribution centers operated by the Group to transport and relocate machines among halls. Out of the gaming machines purchased by the Group up to September in 2014, 25.2% was second-hand machines.

In the development and introduction of private brand machines, we use information obtained from the Group customer membership system to match customer preferences and consider unique specifications that customers are unable to experience at other halls. Once we have completed this, we commit fixed volumes in single orders to machine manufacturers to reduce costs compared to the average market price for national brand machines.

The Group intends to continue development and introduction of private brand machines and make use of second-hand machines to further minimize hall operating expenses.

## ***Overseas Business Development***

### ■ *Business Collaboration in Asia*

After listing on the Stock Exchange, we established Dynam Hong Kong as our Hong Kong subsidiary in 2013 and have been promoting business investments in the Asia region.

We are conducting investments related to the Erin Town Project in Mongolia through Dynam Hong Kong. We have also invested in casino operator Macau Legend as well as concluding a memorandum of understanding related to operation of entertainment facilities and food and beverage outlets within Macau Fisherman's Wharf, one of the largest casino establishments in Macau.

Furthermore, we have invested in IGG, a company with strengths in software development including graphics development.

The Group intends to continue to search for business collaboration opportunities through equity investments by collecting information and conducting research in various business fields that take advantage of our expertise and human resources.



## ***Initiatives Aimed at Bringing Casinos to Japan***

### ■ *Increasing Likelihood of Casinos in Japan*

After the successful bid to host the 2020 Olympic Games in Tokyo, there has been increasing focus both in Japan and overseas regarding the direction of debate in the Diet over introduction of a bill to promote development of integrated resorts including ending the prohibition of casinos.

There are expectations regarding the realization of integrated resorts with the objective of invigorating tourism and creating employment as one of the Abe Cabinet's economic policies. In the event that the bill currently being debated regarding promotion of integrated resorts is passed, specific considerations of the act to implement integrated resorts will proceed with a timeframe of one year.

We believe that there are few companies in Japan that would be able to properly conduct casino operations given the likely time constraints. The Group has accumulated considerable knowledge from our involvement in casinos in Macau, and we have built a wealth of expertise and human resources over our 47-year history. It is without question that the Group will contribute a prominent position on the first page of a new history of casino operation in Japan.

## FINANCIAL REVIEW

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

	2014		2013		changes
	¥	HK\$( <sup>1</sup> )	¥	HK\$( <sup>2</sup> )	
<b>Six months ended 30 September</b>					
<b>(in million, except for percentages)</b>					
<b>Gross pay-ins</b>					
— <i>Traditional</i>	<b>289,840</b>	<b>20,556</b>	343,925	27,167	–15.7%
— <i>Yuttari Kan</i>	<b>120,866</b>	<b>8,572</b>	107,249	8,471	+12.7%
— <i>Shinrai no Mori</i>	<b>14,590</b>	<b>1,035</b>	19,358	1,529	–24.6%
<b>Total gross pay-ins</b>	<b><u>425,297</u></b>	<b><u>30,163</u></b>	<u>470,532</u>	<u>37,167</u>	<u>–9.6%</u>
<b>Gross payouts</b>					
— <i>Traditional</i>	<b>241,744</b>	<b>17,145</b>	292,328	23,091	–17.3%
— <i>Yuttari Kan</i>	<b>91,919</b>	<b>6,519</b>	81,359	6,426	+13.0%
— <i>Shinrai no Mori</i>	<b>10,951</b>	<b>777</b>	14,686	1,160	–25.4%
<b>Total gross payouts</b>	<b><u>344,615</u></b>	<b><u>24,441</u></b>	<u>388,373</u>	<u>30,677</u>	<u>–11.3%</u>
<b>Revenue</b>					
— <i>Traditional</i>	<b>48,096</b>	<b>3,411</b>	51,598	4,076	–6.8%
— <i>Yuttari Kan</i>	<b>28,947</b>	<b>2,053</b>	25,889	2,045	+11.8%
— <i>Shinrai no Mori</i>	<b>3,639</b>	<b>258</b>	4,671	369	–22.1%
<b>Total revenue</b>	<b><u>80,682</u></b>	<b><u>5,722</u></b>	<u>82,159</u>	<u>6,490</u>	<u>–1.8%</u>

(<sup>1</sup>) Translated into Hong Kong dollars at the rate of ¥14.10 to HK\$1.00, the exchange rate prevailing on 30 September 2014 (i.e. the last business day in September 2014).

(<sup>2</sup>) Translated into Hong Kong dollars at the rate of ¥12.66 to HK\$1.00, the exchange rate prevailing on 30 September 2013 (i.e. the last business day in September 2013).

## GROSS PAY-INS

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

Our gross pay-ins decreased by ¥45,235 million (equivalent to approximately HK\$3,208 million), or 9.6%, from ¥470,532 million (equivalent to approximately HK\$37,167 million) for the six months ended 30 September 2013 to ¥425,297 million (equivalent to approximately HK\$30,163 million) for the six months ended 30 September 2014. The Company maintained steady stream in its performance although the total figures decreased. Especially, by hall types, gross pay-ins for *Yuttari Kan* halls increased compared with the same period of the previous year due to the increase in the number of halls including the opening of new halls, which reflects our successful operation to place emphasis on low playing cost halls.

*Traditional* halls. Gross pay-ins for *traditional* halls decreased by ¥54,085 million (equivalent to approximately HK\$3,836 million), or 15.7%, from ¥343,925 million (equivalent to approximately HK\$27,167 million) for the six months ended 30 September 2013 to ¥289,840 million (equivalent to approximately HK\$20,556 million) for the six months ended 30 September 2014. The decrease was primarily due to the decrease in utilisation of our high playing cost machines, decreased number of high playing cost machines while increased number of low playing cost machines, and decrease in number of halls associated with conversion of 3 *Traditional* halls to *Yuttari Kan* halls.

*Yuttari Kan* halls. Gross pay-ins for *Yuttari Kan* halls increased by ¥13,617 million (equivalent to approximately HK\$966 million), or 12.7%, from ¥107,249 million (equivalent to approximately HK\$8,471 million) for the six months ended 30 September 2013 to ¥120,866 million (equivalent to approximately HK\$8,572 million) for the six months ended 30 September 2014. The increase was due primarily to the addition of 29 new *Yuttari Kan* halls compared with the previous interim period including conversion of hall types from *Traditional* halls and *Shinrai no Mori* halls. The positive performance is the outcome of our successful operation to place emphasis on low playing cost halls.

*Shinrai no Mori* halls. Gross pay-ins for *Shinrai no Mori* halls decreased by ¥4,768 million (equivalent to approximately HK\$338 million), or 24.6%, from ¥19,358 million (equivalent to approximately HK\$1,529 million) for the six months ended 30 September 2013 to ¥14,590 million (equivalent to approximately HK\$1,035 million) for the six months ended 30 September 2014. The decrease was primarily due to the decrease of 9 *Shinrai no Mori* halls associated with conversion of hall type to *Yuttari Kan* halls.

## GROSS PAYOUTS

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

Our gross payouts decreased by ¥43,758 million (equivalent to approximately HK\$3,103 million), or 11.3%, from ¥388,373 million (equivalent to approximately HK\$30,677 million) for the six months ended 30 September 2013 to ¥344,615 million (equivalent to approximately HK\$24,441 million) for the six months ended 30 September 2014.

*Traditional* halls. Gross payouts decreased by ¥50,583 million (equivalent to approximately HK\$3,587 million), or 17.3%, from ¥292,328 million (equivalent to approximately HK\$23,091 million) for the six months ended 30 September 2013 to ¥241,744 million (equivalent to approximately HK\$17,145 million) for the six months ended 30 September 2014, which was in line with the decrease in gross pay-ins.

*Yuttari Kan* halls. Gross payouts increased by ¥10,560 million (equivalent to approximately HK\$749 million), or 13.0%, from ¥81,359 million (equivalent to approximately HK\$6,426 million) for the six months ended 30 September 2013 to ¥91,919 million (equivalent to approximately HK\$6,519 million) for the six months ended 30 September 2014. The increase was due primarily to the increase in gross pay-ins and the addition of 29 *Yuttari Kan* halls.

*Shinrai no Mori* halls. Gross payouts decreased by ¥3,735 million (equivalent to approximately HK\$265 million), or 25.4%, from ¥14,686 million (equivalent to approximately HK\$1,160 million) for the six months ended 30 September 2013 to ¥10,951 million (equivalent to approximately HK\$777 million) for the six months ended 30 September 2014. The decrease was due primarily 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 was ¥82,159 million (equivalent to approximately HK\$6,490 million) and ¥80,682 million (equivalent to approximately HK\$5,722 million) for the six months ended 30 September 2013 and 2014 respectively.

The Company maintained steady stream in its performance although the total revenue slightly decreased. Especially, by hall types, revenue for *Yuttari Kan* halls increased compared with the same period of the previous year due to the increase in the number of halls including the opening of new halls, which reflects our successful operation to place emphasis on low playing cost halls.

*Traditional* halls. Revenue for *Traditional* halls decreased by ¥3,502 million (equivalent to approximately HK\$248 million), or 6.8%, from ¥51,599 million (equivalent to approximately HK\$4,076 million) for the six months ended 30 September 2013 to ¥48,096 million (equivalent to approximately HK\$3,411 million) for the six months ended 30 September 2014. The decrease was primarily due to the decrease in gross pay-ins over the period. The revenue margin increased by 1.6 points to 16.6% for the six months ended 30 September 2014 compared with the same period of the previous year mainly due to the change in mix of playing machines including increased number of low playing cost machines in our *Traditional* halls.

*Yuttari Kan* halls. Revenue for *Yuttari Kan* halls increased by ¥3,058 million (equivalent to approximately HK\$217 million), or 11.8%, from ¥25,889 million (equivalent to approximately HK\$2,045 million) for the six months ended 30 September 2013 to ¥28,947 million (equivalent to approximately HK\$2,053 million) for the six months ended 30 September 2014. The revenue margin was 23.9% for the six months ended 30 September 2014 and maintained the same level as the previous interim period.

*Shinrai no Mori* halls. Revenue for *Shinrai no Mori* halls decreased by ¥1,032 million (equivalent to approximately HK\$73 million), or 22.1%, from ¥4,671 million (equivalent to approximately HK\$369 million) for the six months ended 30 September 2013 to ¥3,639 million (equivalent to approximately HK\$258 million) for the six months ended 30 September 2014. The decrease was primarily due to the decrease in gross pay-ins over the period. The revenue margin was 24.9% for the six months ended 30 September 2014 and maintained the same level as the previous interim period.

## HALL OPERATING EXPENSES

The following table sets forth a breakdown of our hall operating expenses by hall type for the periods indicated:

	For the six months ended 30 September															
	2014						2013									
	Traditional		Yuttari Kan		Shinrai no mori		Total		Traditional		Yuttari Kan		Shinrai no mori		Total	
	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%
	(in ¥ million, except for percentages)															
Hall staff costs	12,712	37.3%	8,883	32.6%	1,160	33.7%	22,754	35.1%	13,625	33.8%	7,540	32.9%	1,436	32.8%	22,602	33.4%
Machine expenses	9,121	26.8%	6,821	25.0%	787	22.9%	16,729	25.8%	12,617	31.3%	5,233	22.8%	919	21.0%	18,769	27.8%
Depreciation charges	2,160	6.3%	2,270	8.3%	349	10.2%	4,779	7.4%	2,371	5.9%	1,967	8.6%	556	12.7%	4,895	7.2%
Rental	2,397	7.0%	2,733	10.0%	292	8.5%	5,422	8.4%	2,527	6.3%	2,287	10.0%	374	8.6%	5,188	7.7%
Advertising expenses	1,070	3.1%	856	3.1%	98	2.9%	2,025	3.1%	1,520	3.8%	660	2.9%	120	2.7%	2,300	3.4%
Utilities expenses	1,487	4.4%	1,386	5.1%	174	5.1%	3,046	4.7%	1,443	3.6%	1,127	4.9%	216	4.9%	2,786	4.1%
G-prize expenses	1,172	3.4%	1,118	4.1%	166	4.8%	2,455	3.8%	1,306	3.2%	1,095	4.8%	235	5.4%	2,636	3.9%
Cleaning and ancillary services	808	2.4%	726	2.7%	83	2.4%	1,617	2.5%	1,238	3.1%	837	3.7%	206	4.7%	2,281	3.4%
Repair and maintenance	567	1.7%	554	2.0%	66	1.9%	1,188	1.8%	889	2.2%	553	2.4%	73	1.7%	1,515	2.2%
Others	2,590	7.6%	1,923	7.1%	264	7.7%	4,776	7.4%	2,745	6.8%	1,616	7.1%	238	5.4%	4,599	6.8%
<b>Total</b>	<b>34,084</b>	<b>100.0%</b>	<b>27,270</b>	<b>100.0%</b>	<b>3,438</b>	<b>100.0%</b>	<b>64,791</b>	<b>100.0%</b>	<b>40,281</b>	<b>100.0%</b>	<b>22,917</b>	<b>100.0%</b>	<b>4,373</b>	<b>100.0%</b>	<b>67,571</b>	<b>100.0%</b>

The following table sets forth a breakdown of the average hall operating expenses per hall, by hall type, for the periods indicated:

	For the six months ended 30 September															
	2014						2013									
	Traditional		Yuttari Kan		Shinrai no mori		Total		Traditional		Yuttari Kan		Shinrai no mori		Total	
	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%
	(in ¥ million, except for percentages)															
Hall staff costs	74.3	37.3%	48.3	32.6%	46.4	33.7%	59.9	35.1%	78.3	33.8%	48.6	32.9%	42.2	32.8%	62.3	33.4%
Machine expenses	53.3	26.8%	37.1	25.0%	31.5	22.9%	44.0	25.8%	72.5	31.3%	33.8	22.8%	27.0	21.0%	51.7	27.8%
Depreciation charges	12.6	6.3%	12.3	8.3%	14.0	10.2%	12.6	7.4%	13.6	5.9%	12.7	8.6%	16.4	12.7%	13.5	7.2%
Rental	14.0	7.0%	14.9	10.0%	11.7	8.5%	14.3	8.4%	14.5	6.3%	14.8	10.0%	11.0	8.6%	14.3	7.7%
Advertising expenses	6.3	3.1%	4.7	3.1%	3.9	2.9%	5.3	3.1%	8.7	3.8%	4.3	2.9%	3.5	2.7%	6.3	3.4%
Utilities expenses	8.7	4.4%	7.5	5.1%	7.0	5.1%	8.0	4.7%	8.3	3.6%	7.3	4.9%	6.4	4.9%	7.7	4.1%
G-prize expenses	6.9	3.4%	6.1	4.1%	6.6	4.8%	6.5	3.8%	7.5	3.2%	7.1	4.8%	6.9	5.4%	7.3	3.9%
Cleaning and ancillary services	4.7	2.4%	3.9	2.7%	3.3	2.4%	4.3	2.5%	7.1	3.1%	5.4	3.7%	6.1	4.7%	6.3	3.4%
Repair and maintenance	3.3	1.7%	3.0	2.0%	2.6	1.9%	3.1	1.8%	5.1	2.2%	3.6	2.4%	2.1	1.7%	4.2	2.2%
Others	15.1	7.6%	10.5	7.1%	10.6	7.7%	12.6	7.4%	15.8	6.8%	10.4	7.1%	7.0	5.4%	12.7	6.8%
<b>Total</b>	<b>199.3</b>	<b>100.0%</b>	<b>148.2</b>	<b>100.0%</b>	<b>137.5</b>	<b>100.0%</b>	<b>170.5</b>	<b>100.0%</b>	<b>231.5</b>	<b>100.0%</b>	<b>147.9</b>	<b>100.0%</b>	<b>128.6</b>	<b>100.0%</b>	<b>186.1</b>	<b>100.0%</b>

Hall operating expenses decreased by ¥2,780 million (equivalent to approximately HK\$197 million), or 4.1%, from ¥67,571 million (equivalent to approximately HK\$5,337 million) for the six months ended 30 September 2013 to ¥64,791 million (equivalent to approximately HK\$4,595 million) for the six months ended 30 September 2014. The total amount of the entire hall operating expenses decreased primarily attributable to substantial decrease in pachinko and pachislot machine expenses in *Traditional* halls, partially offset by increased pachinko and pachislot machine expenses and hall staff costs in *Yuttari Kan* halls due to increased number of halls compared with the previous corresponding period.

*Traditional halls.* Hall operating expenses decreased by ¥6,197 million (equivalent to approximately HK\$440 million), or 15.4%, from ¥40,281 million (equivalent to approximately HK\$3,182 million) for the six months ended 30 September 2013 to ¥34,084 million (equivalent to approximately HK\$2,417 million) for the six months ended 30 September 2014. The average hall operating expenses per hall also decreased by 13.9% due primarily to the decrease in average pachinko and pachislot machine expenses and advertising expenses per hall by 26.4% and 28.4% respectively.

*Yuttari Kan halls.* Hall operating expenses increased by ¥4,353 million (equivalent to approximately HK\$309 million), or 19.0%, from ¥22,917 million (equivalent to approximately HK\$1,810 million) for the six months ended 30 September 2013 to ¥27,270 million (equivalent to approximately HK\$1,934 million) for the six months ended 30 September 2014, due primarily to the increase in pachinko and pachislot machine expenses and hall staff costs associated with addition of 29 new *Yuttari Kan* halls including changeover of hall types from *Traditional* halls and *Shinrai no Mori* halls compared with the previous interim period. On a per hall basis, average hall operating expenses was ¥148 million (equivalent to approximately HK\$10 million) for the six months ended 30 September 2014, which maintained the same level as for the six months ended 30 September 2013.

*Shinrai no Mori halls.* Hall operating expenses decreased by ¥935 million (equivalent to approximately HK\$66 million), or 21.4%, from ¥4,373 million (equivalent to approximately HK\$345 million) for the six months ended 30 September 2013 to ¥3,438 million (equivalent to approximately HK\$244 million) for the six months ended 30 September 2014, due primarily to the decrease of 9 *Shinrai no Mori* halls associated with conversion of hall type to *Yuttari Kan* halls. On a per hall basis, average hall operating expenses increased by 7.0%, from ¥129 million (equivalent to approximately HK\$10 million) for the six months ended 30 September 2013 to ¥138 million (equivalent to approximately HK\$10 million) for the six months ended 30 September 2014. The increase in average hall operating expenses per hall was due primarily to the decreased number of halls.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses increased by ¥971 million (equivalent to approximately HK\$69 million), or 68.8%, from ¥1,412 million (equivalent to approximately HK\$112 million) for the six months ended 30 September 2013 to ¥2,383 million (equivalent to approximately HK\$169 million) for the six months ended 30 September 2014. The increase was primarily due to the increased number of employees as a result of the acquisition of HUMAP Japan.

## **OTHER INCOME**

Other income primarily comprises commission income from vending machines and in-store sales, which represented 69.0% and 57.5% of total other income for the six months ended 30 September 2013 and 2014 respectively. Other income increased by ¥503 million (equivalent to approximately HK\$36 million), or 16.5%, from ¥3,046 million (equivalent to approximately HK\$241 million) for the six months ended 30 September 2013 to ¥3,549 million (equivalent to approximately HK\$252 million) for the six months ended 30 September 2014 due primarily to the reversal of the impairment loss and the acquisition of HUMAP Japan.

## **OTHER OPERATING EXPENSES**

Other operating expenses increased by ¥753 million (equivalent to approximately HK\$53 million), or 317.7%, from ¥237 million (equivalent to approximately HK\$19 million) for the six months ended 30 September 2013 to ¥990 million (equivalent to approximately HK\$70 million) for the six months ended 30 September 2014. The increase was primarily attributable to the impairment loss on property, plant, and equipment.

## **FINANCE INCOME**

Finance income increased by ¥476 million (equivalent to approximately HK\$34 million), or 86.2%, from ¥552 million (equivalent to approximately HK\$44 million) for the six months ended 30 September 2013 to ¥1,028 million (equivalent to approximately HK\$73 million) for the six months ended 30 September 2014. The increase was primarily attributable to the net foreign currency exchange gain.

## **FINANCE EXPENSES**

Finance expenses increased by ¥1,964 million (equivalent to approximately HK\$139 million), or 488.6%, from ¥402 million (equivalent to approximately HK\$32 million) for the six months ended 30 September 2013 to ¥2,366 million (equivalent to approximately HK\$168 million) for the six months ended 30 September 2014. The increase was primarily attributable to the decrease in market value of the IGG shares.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 September 2014

		Six months ended 30 September	
	Note	2014 ¥ million	2013 ¥ million
<b>Revenue</b>	4	<b>80,682</b>	82,159
Hall operating expenses	5	(64,791)	(67,571)
General and administrative expenses		(2,383)	(1,412)
Other income	6	3,549	3,046
Other operating expenses		(990)	(237)
<b>Operating profit</b>		<b>16,067</b>	15,985
Finance income	7	1,028	552
Finance expenses	8	(2,366)	(402)
<b>Profit before income taxes</b>		<b>14,729</b>	16,135
Income taxes	9	(5,693)	(5,852)
<b>Net profit for the period</b>		<b>9,036</b>	10,283
<b>Net profit attributable to:</b>			
Owners of the Company		9,040	10,315
Non-controlling interests		(4)	(32)
<b>Net profit</b>		<b>9,036</b>	10,283
<b>Earnings per share</b>			
Basic (expressed in ¥)	14	12.17	13.88
Diluted (expressed in ¥)	14	N/A	N/A

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	¥ million	¥ million
Net profit for the period	9,036	10,283
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements on defined benefit retirement plans	(1)	(1)
	(1)	(1)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	405	252
Changes in fair value of available-for-sale financial assets	(5,690)	1,393
— Income tax effect of changes in fair value of available-for-sale financial assets	9	(15)
	(5,276)	1,630
<b>Other comprehensive income for the period, net of tax</b>	(5,277)	1,629
<b>Total comprehensive income for the period</b>	<b>3,759</b>	<b>11,912</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	3,763	11,944
Non-controlling interests	(4)	(32)
<b>Total comprehensive income</b>	<b>3,759</b>	<b>11,912</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*At 30 September 2014*

	<i>Note</i>	At 30 September 2014 ¥ million	At 31 March 2014 ¥ million
<b>Non-current assets</b>			
Property, plant and equipment	10	95,996	94,605
Intangible assets		1,183	1,408
Available-for-sale financial assets		10,317	15,413
Deferred tax assets		12,571	12,374
Other non-current assets		11,429	11,423
		<u>131,496</u>	<u>135,223</u>
<b>Current assets</b>			
Inventories		3,429	1,801
Trade receivables	11	659	563
Financial assets measured at fair value through profit or loss		2,038	3,875
Prizes in operation of pachinko halls		4,244	4,324
Other current assets		6,036	5,547
Cash and cash equivalents		30,803	34,836
		<u>47,209</u>	<u>50,946</u>
<b>TOTAL ASSETS</b>		<u><u>178,705</u></u>	<u><u>186,169</u></u>
<b>Current liabilities</b>			
Trade and other payables	12	18,439	19,049
Derivative financial instruments		–	47
Borrowings		–	1,265
Finance lease payables		491	869
Provisions		1,663	1,619
Income taxes payables		6,312	8,984
Other current liabilities		5,713	3,077
		<u>32,618</u>	<u>34,910</u>
<b>Net current assets</b>		<u>14,591</u>	<u>16,036</u>
<b>Total assets less current liabilities</b>		<u>146,087</u>	<u>151,259</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Continued)**  
*At 30 September 2014*

	At <b>30 September</b> <b>2014</b> <i>Note</i> <b>¥ million</b>	At 31 March 2014 <i>¥ million</i>
<b>Non-current liabilities</b>		
Derivative financial instruments	–	83
Deferred tax liabilities	<b>63</b>	380
Borrowings	–	3,059
Finance lease payables	<b>172</b>	332
Retirement benefit obligations	–	63
Other non-current liabilities	<b>1,367</b>	1,545
Provisions	<b>3,916</b>	3,787
	<u><b>5,518</b></u>	<u>9,249</u>
<b>NET ASSETS</b>	<u><b>140,569</b></u>	<u>142,010</u>
<b>Capital and reserves</b>		
Share capital	<b>15,000</b>	15,000
Capital reserve	<b>10,129</b>	10,129
Retained earnings	<b>113,974</b>	110,136
Other component of equity	<b>1,450</b>	6,725
	<u><b>140,553</b></u>	<u>141,990</u>
Non-controlling interests	<b>16</b>	20
	<u><b>140,569</b></u>	<u>142,010</u>
<b>TOTAL EQUITY</b>	<u><b>140,569</b></u>	<u>142,010</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2014*

## 1. GENERAL INFORMATION

Dynam Japan Holdings Co., Ltd. (the “Company”) was incorporated in Japan under the Companies Act on 20 September 2011. The address of its registered office and principal place of business in Japan are 2-25-1-702 Nishi-Nippori, Arakawa-ku, Tokyo 116-0013, Japan and the principal place of business in Hong Kong is Unit A1, 32nd Floor, United Centre, 95 Queensway, Admiralty, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 6 August 2012.

The interim condensed consolidated financial statements of the Company as of 30 September 2014 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.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2014 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the basis presented in the consolidated financial statements for the year ended 31 March 2014 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### Changes in method of presentation (Financial income)

In the interim period ended 30 September 2013, the finance income was included in the other income in the interim condensed consolidated statement of income, however it is presented separately as the finance income in the interim condensed consolidated statement of income since this year in order to more faithfully represent the results of its operating activities for the period. To reflect this change in the presentation method, ¥552 million, that was previously included in the other income in the interim period ended 30 September 2013, was reclassified from the other income and presented as the finance income.

### Adoption of new and revised International Financial Reporting Standards

IFRSs	Title	Summaries of new IFRSs and amendments
IAS 36	Impairment of assets	Clarification of the guidelines on disclosures of a recoverable amount of cash-generating units, which include important goodwill and intangible assets with indefinite useful lives.
IFRIC 21	Levies	Accounting for a liability to pay a levy

The Group has adopted IFRIC 21 “Levies”. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 ‘Provisions’. The interpretation addresses what the obligation event is that gives rise to pay a levy, and when should a liability be recognised. The interpretation is adopted retroactively for the interim condensed consolidated financial statements for the six months ended 30 September 2013 and the condensed consolidated financial statements for the year ended 31 March 2014.

As a result, the trade and other payables, and the deferred tax assets as of 31 March 2014 increased by ¥1,244 million and ¥437 million respectively, and the retained earnings as of 31 March 2014 decreased by ¥807 million. The trade and other payables, and the deferred tax assets as of 30 September 2014 increased by ¥506 million and ¥178 million respectively, and the retained earnings as of 30 September 2014 decreased by ¥328 million.

The hall operating expenses, general and administrative expenses and other operating expenses for the six months ended 30 September 2013 decreased by ¥606 million, ¥86 million and ¥2 million respectively. The hall operating expenses, general and administrative expenses and other operating expenses for the six months ended 30 September 2014 decreased by ¥644 million, ¥92 million and ¥2 million respectively.

The impacts on the operating profit for the six months ended 30 September 2013 and for the six months ended 30 September 2014 are increase of ¥694 million and ¥738 million respectively.

Other amendments to IFRSs effective for the six months ended 30 September 2014 does not have a material impact on the Group.

### **3. USE OF ESTIMATES AND JUDGEMENTS**

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

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial statements are the same as those of the consolidated financial statements for the year ended 31 March 2014, with the exception that income taxes in the interim periods are calculated based upon the tax rate that would be applicable to estimated annual earnings.

### **4. SEGMENT INFORMATION**

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

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

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

## Revenue

	Six months ended 30 September	
	2014 ¥ million	2013 ¥ million
Gross pay-ins	425,297	470,532
Less: Gross payouts	(344,615)	(388,373)
Revenue	<u>80,682</u>	<u>82,159</u>

## 5. HALL OPERATING EXPENSES

	Six months ended 30 September	
	2014 ¥ million	2013 ¥ million
Advertising expenses	2,025	2,300
Cleaning and ancillary services expenses	1,617	2,281
Depreciation expenses	4,779	4,895
G-prize expenses	2,455	2,636
Hall staff costs	22,754	22,602
Pachinko and pachislot machine expenses	16,729	18,769
Rental expense	5,422	5,188
Repair and maintenance expenses	1,188	1,515
Utilities expenses	3,046	2,786
Others	4,776	4,599
	<u>64,791</u>	<u>67,571</u>

## 6. OTHER INCOME

	Six months ended 30 September	
	2014 ¥ million	2013 ¥ million
Commission from vending machines and in-store sales	2,039	2,102
Income from forfeiture of unutilised balls and tokens	201	170
Income from catering services	157	–
Net gains on disposals of used machines	153	125
Rental income	271	444
Reversal of impairment loss on property, plant and equipment	318	–
Others	410	205
	<u>3,549</u>	<u>3,046</u>

## 7. FINANCE INCOME

	Six months ended 30 September	
	2014 ¥ million	2013 ¥ million
Bank interest income	40	2
Dividends income	55	12
Foreign exchange gain, net	739	482
Others	194	56
	<u>1,028</u>	<u>552</u>

## 8. FINANCE EXPENSES

	Six months ended 30 September	
	2014 ¥ million	2013 ¥ million
Interest expense	41	95
Amortization of syndicated bank loan charges	185	265
Loss from changes in fair value of financial assets measured at fair value through profit or loss	1,934	–
Others	206	42
	<u>2,366</u>	<u>402</u>

## 9. INCOME TAXES

	Six months ended 30 September	
	2014 ¥ million	2013 ¥ million
Current taxes	6,199	7,970
Deferred taxes	(506)	(2,118)
	<u>5,693</u>	<u>5,852</u>

The estimated average tax rate used in Japan is 36% for six months ended 30 September 2014 and 38% for six months ended 30 September 2013. Taxation for overseas is calculated at the rates of taxation prevailing in the relevant jurisdictions.



## 10. COMMITMENTS

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

	At 30 September 2014 ¥ million	At 31 March 2014 ¥ million
Capital commitment for purchase of property, plant and equipment	1,378	1,221
	<u>1,378</u>	<u>1,221</u>

## 11. TRADE RECEIVABLES

The Group normally allows credit terms to customers ranging from 30 to 60 days. Overdue balances are reviewed regularly by the directors.

The aging analysis of the trade receivables are as follows:

	At 30 September 2014 ¥ million	At 31 March 2014 ¥ million
1 to 30 days	555	546
31 to 60 days	83	17
Over 60 days	21	–
	<u>659</u>	<u>563</u>

## 12. TRADE AND OTHER PAYABLES

	At 30 September 2014 ¥ million	At 31 March 2014 ¥ million
Trade payables	1,348	1,722
Other payables	7,309	8,165
Accrued staff costs	7,610	8,251
Consumption taxes payables	2,140	845
Others	32	66
	<u>18,439</u>	<u>19,049</u>

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

	<b>At 30 September 2014 ¥ million</b>	<b>At 31 March 2014 ¥ million</b>
1 to 30 days	1,331	1,697
31 to 60 days	3	1
Over 60 days	14	24
	<u>1,348</u>	<u>1,722</u>

### 13. DIVIDENDS

During the six months ended 30 September 2014 and 2013, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

	<b>Six months ended 30 September</b>			
	<b>2014</b>		<b>2013</b>	
Dividends declared and paid/ payable to its shareholders by:	<b>Dividend per share ¥</b>	<b>Total Dividends ¥ million</b>	<b>Dividend per share ¥</b>	<b>Total Dividends ¥ million</b>
Final dividend paid	7.00	<u>5,200</u>	7.25	<u>5,386</u>
		<u>5,200</u>		<u>5,386</u>

On 27 November 2014, the Board of Directors declared an interim dividend of ¥7.00 per ordinary share of the Company, which is payable on 14 January 2015 to the shareholders of the Company.

### 14. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2014 ¥ million</b>	<b>2013 ¥ million</b>
Earnings for the purpose of calculating basic earnings per share	<u>9,040</u>	<u>10,315</u>
Weighted average number of shares (shares)	<u>742,850,360</u>	<u>742,850,360</u>
Basic earnings per share (¥)	<u>12.17</u>	<u>13.88</u>

No diluted earnings per share was presented for the six months ended 30 September 2014 and 2013 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2014 and 2013.

## **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 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 deviation.

#### **Code Provision E.1.3**

Code provision E.1.3 stipulates that notice for an AGM should be sent to its shareholders by the issuer at least 20 clear business days before the meeting. The AGM for the year ended 31 March 2014 was held on 26 June 2014, while the AGM notice was despatched on 3 June 2014. The above arrangement complied with the Articles of Incorporation prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) but the AGM notice period was less than 20 clear business days before the AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2014 for the financial year ended 31 March 2014). The Companies Act also requires the notice for the AGM to be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise the annual report which accompanied the AGM notice despatched to the Shareholders.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as a code of conduct of the Company regarding Directors' transactions of the listed securities of the Company. Employees of the Company who are likely to get unpublished inside information of the Group must abide by the procedure set out in the document thereof. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Reporting Period. The Company does not have any case of non-compliance therewith.

## **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. Yukio YOSHIDA and Mr. Thomas Chun Kee YIP. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The audit committee also monitors the Directors in fulfilling their fiduciary duties.

The audit committee held 8 meetings during the Reporting Period with an attendance rate of 100%. The interim results for the Reporting Period are unaudited but have been reviewed by the audit committee.

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

Due to the retirement of RSM Nelson Wheeler as the auditor of the Company, PricewaterhouseCoopers Aarata has been appointed as the auditor of the Company since 26 June 2014.

## **INTERIM DIVIDENDS**

The Board declared on 27 November 2014 an interim dividend of ¥7 per ordinary share in respect of the six months ended 30 September 2014, payable on 14 January 2015 to Shareholders whose names appear on the Company’s share register as at the close of business on 12 December 2014. Based on the 742,850,360 shares in issue as at 27 November 2014, it is expected that the interim dividend payable will amount to approximately ¥5,200 million (equivalent to approximately HK\$369 million). No Shareholder has waived or agreed to waive any dividends.

The exchange rate for the conversion of Japanese yen to Hong Kong dollars for the dividend to be distributed to Shareholders in the currency other than Japanese yen was based on the average currency rates prevailing five business days immediately preceding 27 November 2014.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dyjh.co.jp>). The interim report of the Company for the six months ended 30 September 2014 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. ¥14.10 to HK\$1.00, the exchange rate prevailing on 30 September 2014 (i.e. the last business day in September 2014);
2. ¥12.66 to HK\$1.00, the exchange rate prevailing on 30 September 2013 (i.e. the last business day in September 2013); or
3. ¥13.29 to HK\$1.00, the exchange rate prevailing on 31 March 2014 (i.e. the last business day in March 2014).

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 Shareholders’ general meeting of the Company
“Articles of Incorporation”	the articles of incorporation of the Company as amended and supplemented from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“business day”	any day (other than a Saturday, Sunday or public holiday of Japan) on which banks in Japan are generally open for normal banking business
“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
“DYNAM Group” or “Group”	the Company and its subsidiaries at the relevant point in time
“Dynam Hong Kong”	Dynam Hong Kong Co., Ltd., a stock company incorporated in Hong Kong with limited liability on 7 January 2013 (registration number 1848306). Dynam Hong Kong is a wholly-owned subsidiary of the Company
“EBITDA”	earning before interest, taxes, depreciation and amortization
“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 unutilised balls and tokens
“gross payouts”	the aggregate cost of G-prizes and general prizes exchanged by customers for pachinko balls or pachislot tokens collected at 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
“HUMAP Japan”	HUMAP Japan Co., Ltd.* (株式会社日本ヒュウマップ), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 1 November 1982 (registration number of 0115-01-008097). HUMAP Japan is a wholly-owned subsidiary of the Company. On 1 April 2013, HUMAP Japan has effected an absorption-type merger of Pachinko Leasing and Dynam Investment

“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“IGG”	IGG Inc, a company incorporated in Cayman Islands and engaged in the development of online game software, and the operation of online games. IGG shares are listed on the GEM Board of the Stock Exchange (Stock Code: 08002)
“Japan Productivity Center”	a public interest incorporated foundation (koueki zaidan houjin公益財団法人) established in 1955 under the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations* (koueki shadan houjin oyobi koueki zaidan houjin tou no nintei ni kansuru houritsu公益社団法人及び公益財団法人の認定等に関する法律) to promote the productivity in Japan’s industrial society and in improving the quality of people’s lives
“Leisure White Paper”	Research report on leisure industry and its market trend published by Japan Productivity Center
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“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
“Macau”	The Macau Special Administrative Region of the PRC
“Macau Legend”	Macau Legend Development Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 01680)
“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

“Pachinko Chain Stores Association” or “PCSA”	Pachinko Chain Stores Association* (パチンコ・チェーンストア協会), a leading industry organization in the pachinko industry of Japan, promoting pachinko as a mean of entertainment and leisure among the general public in Japan
“pachislot tokens” or “tokens”	small metal tokens used to play pachislot games
“PCSA Challenge Book 2015”	an industry guide book and activity report of the member companies of PCSA published thereby every year
“PRC”	The People’s Republic of China, excluding, for the purpose of this interim result announcement, Hong Kong, Macau and Taiwan
“Reporting Period”	the period from 1 April 2014 to 30 September 2014
“ <i>Shinrai no Mori</i> ” (信頼の森)	our pachinko hall brand and hall type featuring primarily low playing cost games in a non-smoking environment with reduced noise levels, space for players to relax and socialise, and a larger selection of general prizes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ <i>Traditional</i> ”	our pachinko hall type featuring primarily high playing cost games
“ <i>Yuttari Kan</i> ” (ゆったり館)	our pachinko hall brand and hall type featuring primarily low playing cost games

*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.

\* *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  
Executive Director and Chief Executive Officer

Tokyo, Japan, 27 November 2014

*As of the date of this announcement, the executive Director is Mr. Yoji SATO and Mr. Kohei SATO, the non-executive Director is Mr. Noriaki USHIJIMA and the independent non-executive Directors are Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP.*