Interim Report 2016

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)

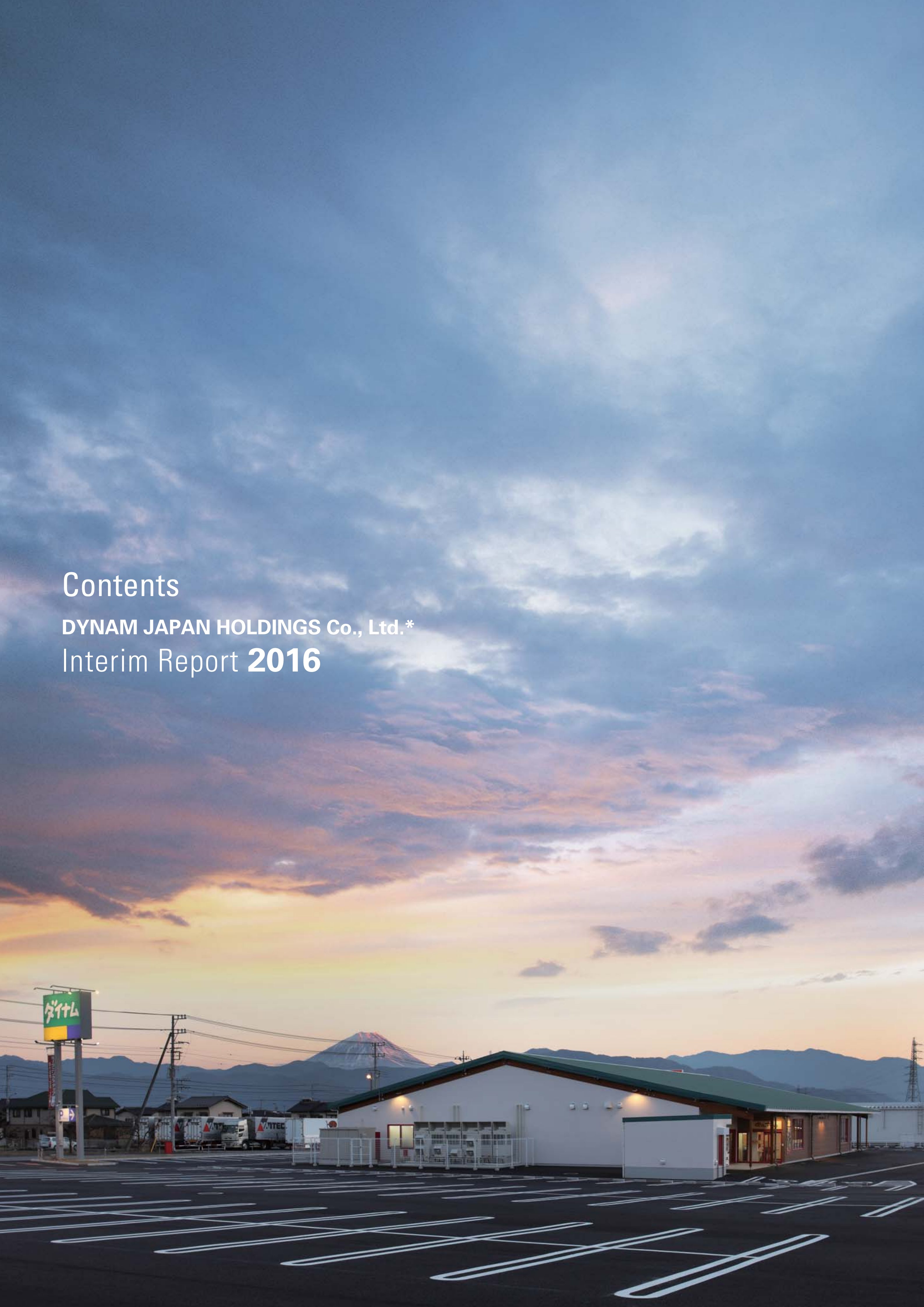
Stock Code: 06889

* For identification purpose only

Contents

DYNAM JAPAN HOLDINGS Co., Ltd.*

Interim Report **2016**



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", together with its subsidiaries, the "Group") was incorporated under Japanese law, which differs from Hong Kong law in certain respects. Loss or destruction of share certificates can have serious implications under Japanese law on a shareholder's ability to sell his/her shares, rights to vote and rights to receive dividend payments. Shareholders of the Company (the "Shareholders") holding shares of the Company (the "Shares") in his/her own names (instead of holding through CCASS) are strongly advised to refer to the section headed "Material Shareholders' Matters under Japanese law" on the Company's website at http://www.dyjh.co.jp and/or seek independent professional advice.

* For identification purpose only

Corporate **Philosophy**

Group Philosophy

A CENTURIAL COMMITMENT TO BUILDING TRUST AND ENCOURAGING DREAMS

A company cannot exist unless it consistently fulfills the responsibilities it has towards its employees, shareholders, financial institutions, business partners and other stakeholders, while at the same time supports and contributes to customers and local residents.

A company is expected to improve the daily lives of its stakeholders. It must also create a world in which all people are united in trust and able to live in peace.

This corporate philosophy represents the spirit in which people and organizations that are united in trust continuously strive to achieve sustainable growth by using their collective energy to achieve their dreams. The term, "centurial" that is used in our corporate philosophy refers to the long term.

The Group maintains a long-term commitment to building trust and encouraging dreams.

Three Principles of Actions

The Group complies with laws and regulations and rules, and deals with people respectfully.

The Group takes decisive actions and values team work.

The Group confirms the actual situation on site, and presents it using numerical expressions.

FIVE MANAGEMENT POLICIES

1
Principle of Customers First
The Group always adopts the principle of customers first, and acts accordingly.

2
Information Disclosure
The Group carries out transparent and fair management by appropriately disclosing information.

3
Chain Store Management
The Group is fully committed to achieving growth through its chain store management.

4
Training of Human Resources
The Group trains human resources and uses their collective energy.

5
Social Contribution
The Group contributes to society by becoming an organization that is indispensable to local communities.

Top Management and **Committees**

Executive Directors
Kohei SATO *(Chairman of the Board, President and Chief Executive Officer)*
Haruhiko MORI

Non-executive Directors
Yoji SATO *(Senior Corporate Advisor of the Board)*
Noriaki USHIJIMA

Independent Non-executive Directors
Ichiro TAKANO
Mitsutoshi KATO
Thomas Chun Kee YIP
Eisho KUNITOMO
Kei MURAYAMA

Audit Committee
Ichiro TAKANO *(Chairman)*
Thomas Chun Kee YIP
Eisho KUNITOMO

Remuneration Committee
Mitsutoshi KATO *(Chairman)*
Kohei SATO
Kei MURAYAMA

Nomination Committee
Mitsutoshi KATO *(Chairman)*
Kohei SATO
Kei MURAYAMA

Corporate **Information**

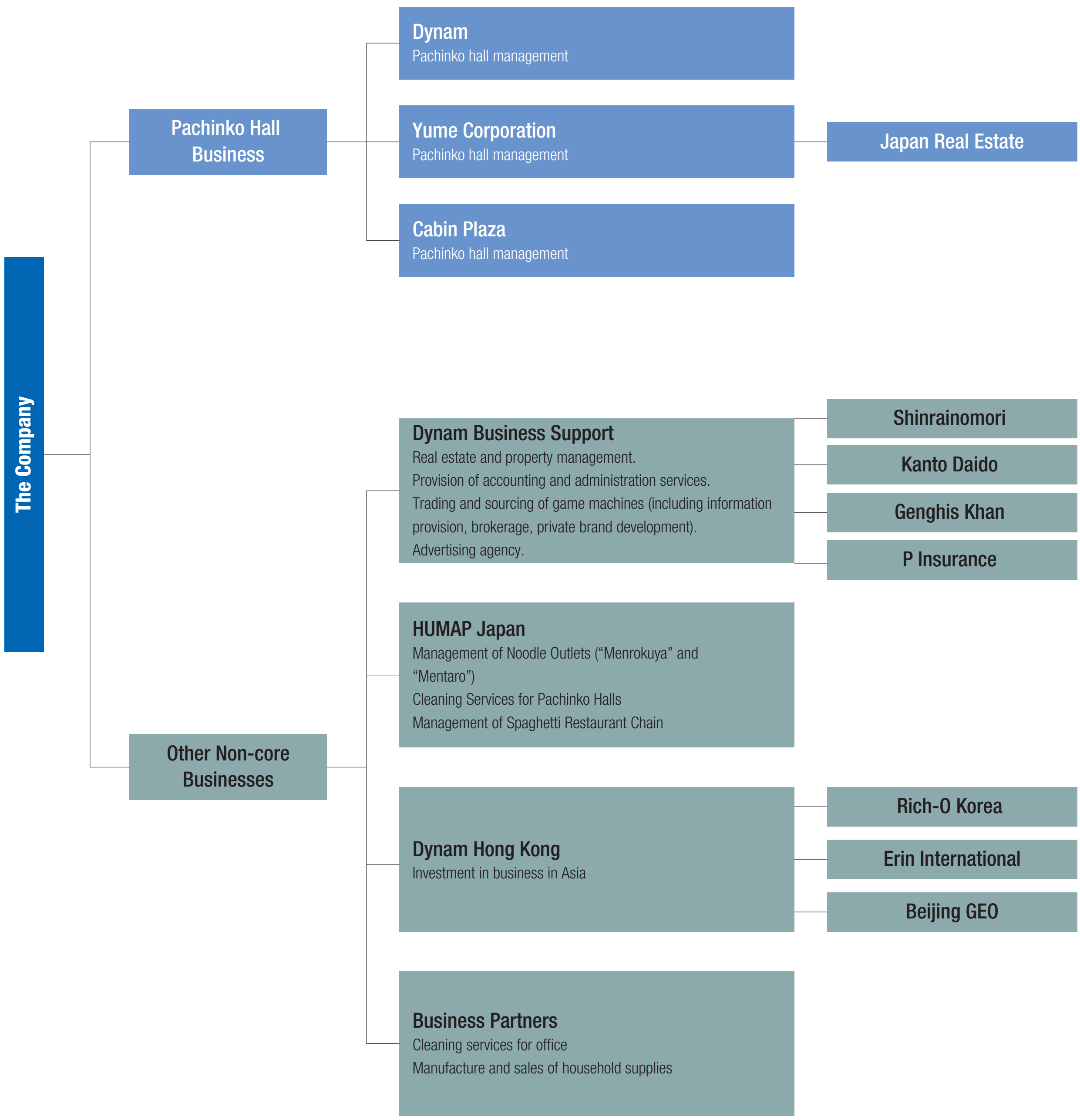
Headquarters and Registered Office	2-25-1-702 Nishi-Nippori Arakawa-ku Tokyo, 116-0013 Japan
Principal Place of Business in Hong Kong	Unit A1, 32nd Floor, United Centre 95 Queensway, Admiralty Hong Kong
Corporate Website	www.dyjh.co.jp
Investor Relations	E-mail: info@dyjh.co.jp
Stock Code	06889
Joint Company Secretaries	Norio HARASAWA Ming Wai MOK, *FCIS FCS*
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Legal Advisor as to Hong Kong Law	Deacons Li, Wong, Lam & W.I.Cheung
Principal Legal Advisor as to Japanese Law	Soga Law Office
Auditors	PricewaterhouseCoopers Aarata LLC *(Certified Public Accountants)*
Principal Bankers	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation
Investor and Media Relations Consultant	Strategic Financial Relations Limited

Our Group **Organization**

OUTLINE OF THE GROUP

The Company is a holding company which directly controls shares of 7 subsidiaries.

As at 30 September 2016



PACHINKO HALL OPERATION AS OUR CORE BUSINESS

Largest Pachinko Hall Operator in Japan

The Company is a holding company which directly holds shares of 7 subsidiaries including the largest pachinko hall operator Dynam. The Group operates the largest pachinko hall chain in Japan as the core business.

The Group operates the industry's largest pachinko hall network with 444 halls as at the end of September 2016.

Pachinko Game Play Summary

Pachinko is one of the most popular forms of entertainment in Japan.

Pachinko and pachislot machines

Pachinko halls offer two types of machines: pachinko and pachislot.

Pachinko resembles a pinball machine stood vertically. Small metal pachinko balls are shot continuously toward the playing field of the machine. Several pachinko balls can be earned when a pachinko ball falls into a pocket. Gameplay costs generally range from ¥0.5 to ¥4 per ball.

Pachislot is similar to the slot machines found in a casino. Inserting a token and hitting a lever rotates a reel — a spinning body on which images are displayed. Once the reel stops, the player can earn more tokens if the reel images are aligned. Gameplay costs generally range from ¥5 to ¥20 per token.

The customer borrows pachinko balls or pachislot tokens to play. Earned balls and tokens can be exchanged for prizes or recorded electronically on a member card to be used during a future visit.

Prizes

There are two types of prizes that can be exchanged for pachinko balls and pachislot tokens: general prizes and G-prizes. General prizes include household goods, snacks, tobacco and other goods typically sold at a convenience store. G-prizes include small decorated cards containing gold or silver as well as gold or silver pendants in the shape of a token.

The Group offers 1,000 different types of prizes and also provides service that allows customers to select a prize from a catalog. The Group also holds various seasonal prize campaigns for festivals like Christmas and Halloween. The Group will continue to incorporate new products and popular items in order to improve service to our customers.

Prize display area

Financial **Highlights**

	Six months ended 30 September			
	2016 (unaudited)		2015 (unaudited)	
	(in millions)			
	¥	**HK$**	¥	HK$
Gross pay-ins	**416,246**	**31,921**	417,104	26,945
Less: gross payouts	**(336,438)**	**(25,800)**	(341,261)	(22,045)
Revenue	**79,808**	**6,120**	75,843	4,899
Hall operating expenses	**(72,474)**	**(5,558)**	(68,855)	(4,448)
General and administrative expenses	**(2,692)**	**(206)**	(2,738)	(177)
Other income	**4,676**	**359**	3,644	235
Other operating expenses	**(1,110)**	**(85)**	(511)	(33)
Operating profit	**8,208**	**629**	7,383	477
Finance income	**173**	**13**	275	18
Finance expenses	**(1,746)**	**(134)**	(335)	(22)
Profit before income taxes	**6,635**	**509**	7,323	473
Income taxes	**(2,815)**	**(216)**	(2,539)	(164)
Net profit for the period	**3,820**	**293**	4,784	309
Net profit attributable to:				
Owners of the Company	**3,860**	**296**	4,784	309
Non-controlling interests	**(40)**	**(3)**	(0)	(0)
	3,820	**293**	4,784	309
Earnings per share				
Basic	**¥5.04**	**HK$0.4**	¥6.44	HK$0.4
Diluted	**¥5.04**	**HK$0.4**	¥6.44	HK$0.4
EBITDA(*)	**14,431**	**1,107**	13,170	851

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

	30 September 2016 (unaudited)		31 March 2016 (audited)	
	(in millions)			
	¥	HK$	¥	HK$
Non-current assets	**146,697**	**11,250**	145,944	10,044
Current assets	**46,902**	**3,597**	43,240	2,976
Current liabilities	**35,994**	**2,760**	30,838	2,122
Net current assets	**10,908**	**837**	12,402	854
Total assets less current liabilities	**157,605**	**12,086**	158,346	10,898
Non-current liabilities	**23,645**	**1,813**	25,727	1,771
Total equity	**133,960**	**10,273**	132,619	9,127

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this Interim Report, certain amounts denominated in Japanese yen are translated into Hong Kong dollars at the rate described below:

1. ¥13.04 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

2. ¥15.48 to HK$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015).

3. ¥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 amounts in Japanese yen 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.

At a **Glance**

NO.1

Industry Position

The Group is the pachinko industry's leading company in terms of the number of pachinko halls.

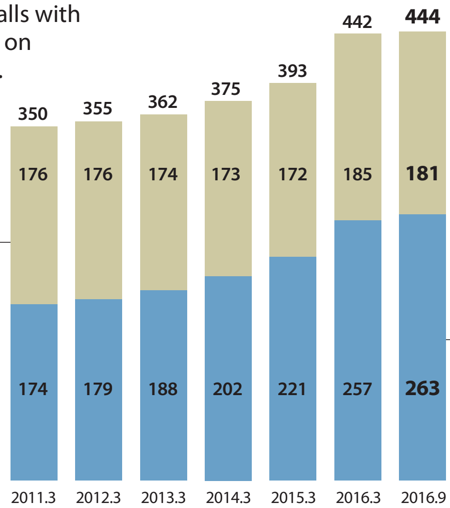
444

Number of halls

As of 30 September 2016

Operation of two hall types focusing on low playing cost games

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



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

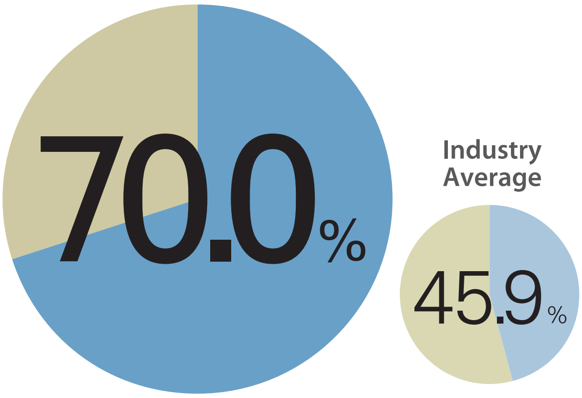
Main hall brand:
DYNAM *Yuttari Kan* /
DYNAM *Shinrai no Mori*

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.

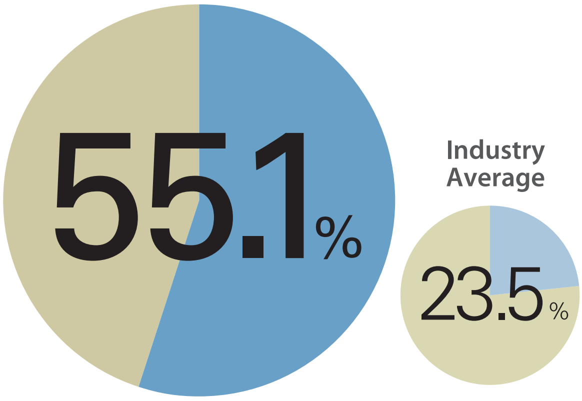
For the six months ended 30 September 2016, we opened 3 low playing cost halls. In addition, we closed 1 low playing cost hall in line with a change in our business areas. As a result, we had a total of 444 halls in operation as of 30 September 2016.

By hall type, we operate 181 high playing cost halls and 263 low playing cost halls, with low playing cost halls making up the majority at 59% of the total.

Pachinko



Pachislot



Proportion of Low Playing Cost Machines to Total Number of Machines

Customer needs have been gradually shifting towards enjoying gaming as a pastime for leisure rather than primarily as a mean of winning prizes. Under this trend, the Group has been shifting its emphasis to low playing cost games.

As of 30 June 2016, the Group's low playing cost pachinko machines represented 70.0% of its total number of machines, compared with the national average of 45.9%. The proportion of halls featuring low playing cost machines is 100%, meaning that we have installed low playing cost machines at all of our halls.

Going forward, we will continue to drive the expansion of low playing cost games under our vision of reinventing pachinko as a genuine public entertainment that everyone can enjoy.

18,129

Number of Group Employees

According to research conducted by the Pachinko Trustee Board*, the pachinko industry plays a major role in job creation in Japan with an industry-wide workforce of 310,000 employees, which is approximately 1.5 times larger than the combined number of employees of Japan's top ten automotive companies**. As of 30 September 2016, the Group had a workforce of 18,129 employees. The Group's creation of these jobs and retention of the employees have helped to enhance its recognition from society.

Moreover, since 1989, when the Group began opening halls outside of the Tokyo metropolitan area, the Group has continuously recruited a certain number of people every year as management candidates, particularly university graduate. These employees have performed well in their respective positions, and have become a crucial business resource underpinning the Group's sustainable growth.

* An organization comprising third-party experts and specialists from outside the pachinko industry that aims to improve the social standing of pachinko hall management companies. The purpose of the organization is to establish a framework for managing pachinko halls that can engender public trust and provide reassurance to society.

** 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.

Business **Overview**

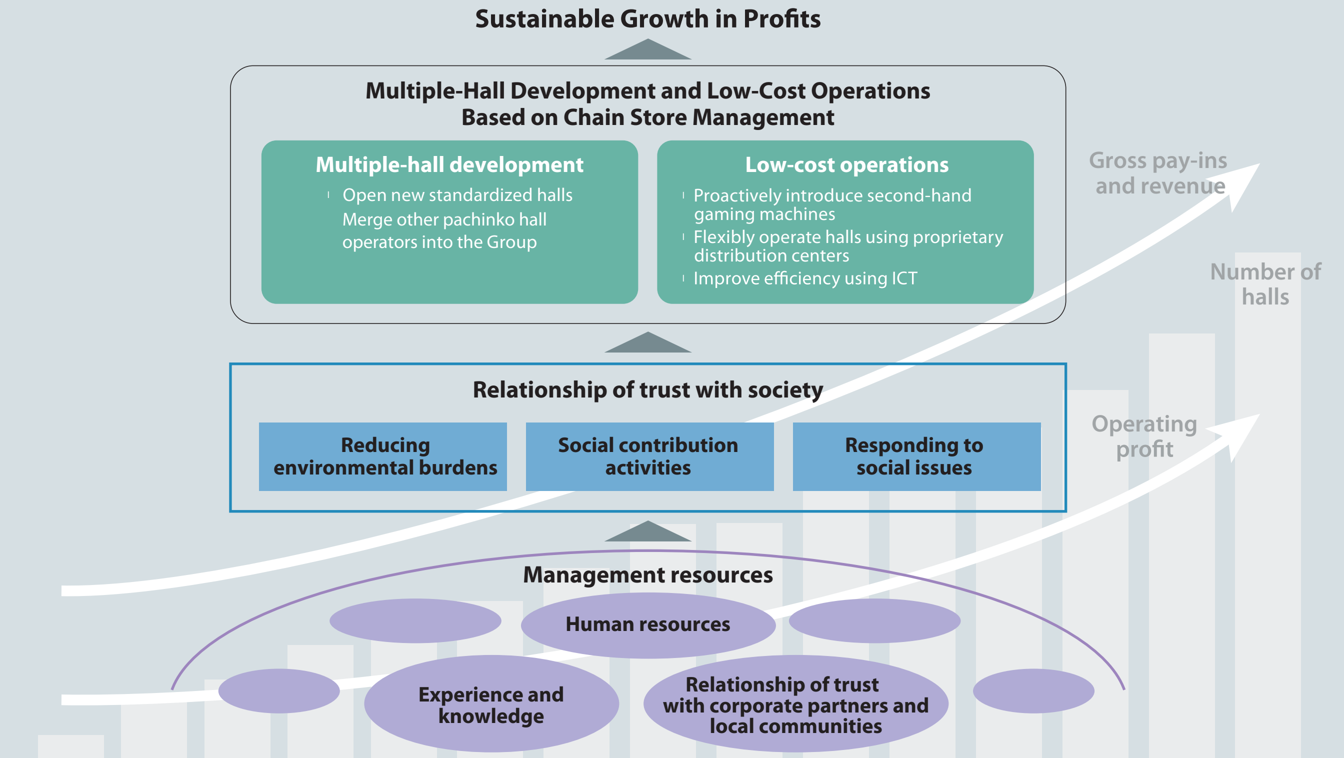
Chain Store Management and Growth Strategy of the Group

As the top leader in terms of the number of halls, the Group aims for sustainable growth over the long term by implementing chain store management, which is one of our five management policies. Two strategies are crucial to chain store management: multiple hall development and low-cost operations focusing on low playing cost games.

Costs for users are reduced by setting ¥1-per-ball and ¥5-per-token games (as opposed to conventional ¥4-per-ball and ¥20-per-token games). Low playing cost games are designed to entertain customers without imposing a significant cost burden on them. These low playing cost games are also becoming popular at other pachinko companies.

Nevertheless, while low playing cost games lead to increased number of customers and increased visit frequency as well as acquisition of a new customer base, there is also a risk of decreased profitability at pachinko halls. Therefore, in order to implement low playing cost games, innovation and expertise are needed to ensure low-cost operations in every aspect of the business, from new hall development to hall operation.

The Group is able to achieve low-cost operations by reaping the benefits of economies of scale in purchasing game machines and general prizes and other aspects of the business through its multiple-hall model. Accordingly, the Group is in a strong and advantageous position to develop the pachinko hall operation business.



Multiple-hall development

Multiple-hall development with the opening of new standardized halls and merger and acquisition

Based on its theory of chain store operations, the Group is opening new halls focusing on low playing cost halls, while standardizing the format of those halls. At the same time, the Group will through merger and acquisition increase the number of its halls.

Low-cost operations

Reaping economies of scale to realize low-cost operations

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. By reaping the benefits of the economies of scale through multi-hall development, the Group aims to steadily accumulate profits.

Relationship of trust with society

Relationship of trust with society supporting sustainable development

The Group's halls have taken the lead in promoting various initiatives for strengthening the Group's relationship of trust with society.

Management resources

Management resources supporting sustainable development

The Group's human resources, experience and knowledge, and relationship of trust with corporate partners, land owners and local communities are management resources supporting sustainable development over the long term.

Multiple-hall development

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

Standardized hall (exterior)

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.

Standardized hall (interior)

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, for example, by reducing the cost and period of construction.

Wood-frame halls on land leased for 20 years

As a rule of thumb, the Group constructs wood-frame halls on land leased for 20 years to avoid excessive investment in land purchases, so as to scrap the halls easily if market conditions change in the future. This also minimizes loss on retirement of assets because fixed-asset depreciation will be almost completed by the time the land lease expires in 20 years.

Acquiring other pachinko hall operators into the Group

Making the most of its advantage as a listed company, the Group implements schemes such as share exchanges to acquire other pachinko hall operators into the Group and expand its network of halls.

As an example, the Company acquired Yume Corporation into the Group through share exchange on 1 November 2015.

Yume Corporation is a leading company among approximately 3,500 pachinko hall operators in Japan. They have been operating 38 halls nationwide under “Yumeya” brand as of 30 September 2016. As the two companies committed to chain store management, the Group and Yume Corporation (we) will maximize the management resources we have developed and work together to increase our number of halls and industry market share as the Group.

Yume Corporation

Date of incorporation	14 December 1970
Number of halls	38 (as of 30 September 2016)

Business Overview

Low-cost operations

The Group enjoys economies of scale to steadily accumulate revenues and profits. To this end, the Group has used second-hand gaming machines, established distribution centers, and utilized ICT systems to optimally control the operating cost of its halls.

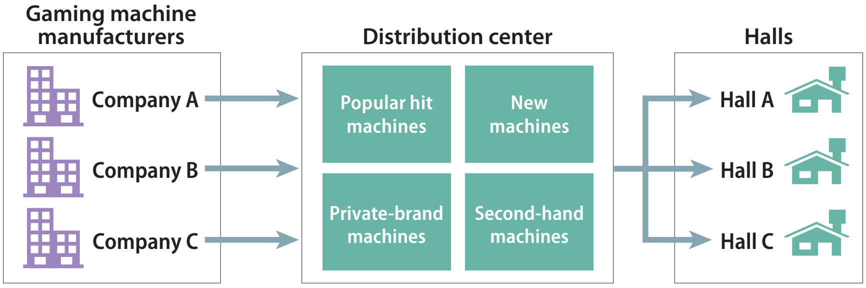
Using second-hand gaming machines and establishing distribution centers

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.

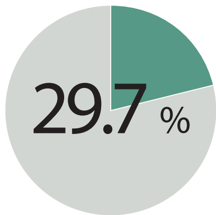
To control machine expenses (the procurement cost of gaming machines), the Group has established 16 distribution centers throughout Japan, each of which covers the logistical needs and facilitates the sharing of gaming machines among 20 to 30 halls. The gaming machines installed in the halls are centrally 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 while reducing the transportation expenses.

Interior of a distribution center

Optimization of Hall Operating Costs by use of Private-Brand and Second-hand Gaming Machines



Procurement Ratio of Second-Hand Machines in total purchase volume



For the six months ended 30 September 2016

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 in the halls by saving time for customers to keep track of their win and streamlining the work of hall staff.

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.

Deepening Relationships of Trust with Society

Building stronger relationships of trust with a broad cross-section of society, including members of the communities where our pachinko halls are located, is vital to ensuring the Group's sustainable growth over the long term. The Group's halls are taking the lead engaging in various initiatives for deepening their relationships of trust with society.

Environment

Power and energy conservation

The Group is implementing measures to conserve energy and reduce costs that include optimally controlling the thermostat settings of air conditioning equipment, introduction of LED lighting, and switching off unnecessary electric power.

LED lighting within a hall

Reduction and recycling of wastes

The Group seeks to the proper end-of-life disposal of gaming machines by recycling the reusable parts and materials through the Yugiki Recycle Kyokai*, etc.

* an industry organization for the proper end-of-life disposal of pachinko and pachislot machines

Society

Social contribution activities

Aside from eagerly participating in cleaning activities and other local community events throughout Japan, the Group has continued to donate general prizes to social welfare institutions.

Cleaning activities

Installation of AEDs

The Group has installed automated external defibrillators (AEDs) in its halls throughout Japan to provide customers with a safe environment in which they can be at peace enjoying their game.

An AED installed in a hall

Responding to social issues

Measures against gaming addiction

To counter addiction to pachinko and pachislot becoming a social issue, the Group has taken various measures including efforts to reduce the financial burden, to increase the enjoyment of the games and to launch campaign for warning the public against gaming addiction.

In addition, the Group supports non-profit making organizations that are established with the goal of resolving the issue of addiction and has a training program to educate its employees on gaming addiction.

Resolving the problem of children left unattended in parked vehicles

Accidents as a consequence of pachinko hall customers leaving their children unattended for long hours in parked vehicles have become a social problem in Japan. The Group is building a management framework to prevent them from happening, by means of posters, banners and public announcements as reminders to customers, in addition to patrolling the parking lots.

A parking lot patrol

The Group's Management Resources for Supporting Chain Store Management

The Group aims to achieve sustainable development over the long term by using our management resources that include personnel, experience and knowledge, and the relationship of trust with corporate partners, land owners and local communities.

Maintaining a sound financial position

The Group has maintained a strong financial position and sound management on the basis of having steadily accumulated profit over the course of many years. Furthermore, the Group has set forth a rigorous review standard that only new halls with a solid income outlook are approved.

As a result, the Group has a high credit capability among financial institutions. The Group as a whole had secured access to over ¥70 billion in loans as of 30 September 2016, mainly from major mega-banks in Japan and their commitment lines, and is capable of raising funds flexibly.

Know-how for opening halls both efficiently and effectively

The Group has established a specialized department being responsible for a series of development projects for new halls. This department selects numerous locations from local populated regions and narrows down the number of potential locations for opening new halls based on the Group's review standard. It also conducts on-site surveys to confirm the information which cannot be ascertained from maps to decide on the locations.

Building up these specialized knowledge and experiences enables the Group to open new halls both efficiently and effectively.

Building relationships with land owners and local residents

Building relationships of trust with owners of the land for opening new halls, as well as the local residents and other stakeholders, is vital to achieve the Group's aim of sustainable growth. When negotiating agreements on land for opening new halls with land owners, staff from the department for developing new halls patiently explain the rent, duration and other land lease stipulations in details, while providing an overview of the Group's business philosophy and content.

Furthermore, the Group periodically publishes a DYNAM Group Newsletter and other reading materials for land owners in an effort to broaden their understanding of the Group through the featured articles.

DYNAM Group Newsletter

Communication with Suppliers

The Group pursues management emphasizing profitability and seeks to control its procurement costs through communication with suppliers including the manufacturers of gaming machines and other equipment and facilities, as well as the suppliers of general prizes.

For example, we arrange forums periodically with the gaming manufacturers for exchanging information and feedback on market trends, the specifications and effects of their gaming machines, and the evaluation of their machines after they are introduced in our halls.

Original employee education programs

Nurturing talented and experienced employees with the required knowledge and skills are indispensable to the Group's execution of chain store management.

In light of this, since 1989, when the Group began opening halls outside the Tokyo metropolitan area, the Group has concentrated on nurturing a certain number of university graduates being employed every year as executive candidates. To enhance the experience and skills of the employees needed for chain store management, the Group also has original education programs for certain employee levels and purposes, and conducts assignments for educational purposes designed to provide on-the-job training (OJT) at the branch or head office. Furthermore, the Group has established two large-scale training centers in Japan for group training.

Main Education and Training Programs

- OJT training
- Group training
- Self-development training (e-learning, etc.)

A unique Jinsei Daigaku education program

The Group also conducts a Jinsei Daigaku (University of Life) program for all employees after they have been with the Company for certain number of years. In this program, employees of all ages from various departments and job assignments share meals and accommodations. Also, as they read books and participate in group discussions.

A scene from group training

Supporting female employees in the workplace

The Group is proactively promoting success of female employees in the workplace and has various systems in place providing support to its female employees.

For example, the Group provides internal job postings and self-application sheets to provide promotion opportunities to female employees who seek for career advancements. Employees with parenting needs are supported by means such as shortening their working hours, providing childcare leave (eligible for both men and women), and curbing overtime and late-night working.

There is a mentor system which female employees can consult with the experienced colleagues about issues, which are difficult to discuss with their own supervisors, as well as a Dynam Nadeshiko Project which periodically nurtures women taking senior and management positions to serve as role models for other female staff.

Furthermore, the Group has a plan which aims to raise the proportion of women in recruitment of new university graduate up to around 25%.

A female employee thriving in one of the Group's halls

Financial **Review**

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

	Six months ended 30 September				
	2016 (unaudited)		2015 (unaudited)		
	(in millions, except for percentages)				
	¥	**HK$(1)**	¥	HK$(2)	changes(3)
Gross pay-ins					
— High playing cost halls	**254,500**	**19,517**	269,133	17,386	-5.4%
— Low playing cost halls	**161,746**	**12,404**	147,971	9,559	+9.3%
Total gross pay-ins	**416,246**	**31,921**	417,104	26,945	-0.2%
Gross payouts					
— High playing cost halls	**213,239**	**16,353**	227,804	14,716	-6.4%
— Low playing cost halls	**123,200**	**9,448**	113,457	7,329	+8.6%
Total gross payouts	**336,438**	**25,800**	341,261	22,045	-1.4%
Revenue					
— High playing cost halls	**41,262**	**3,164**	41,328	2,670	-0.2%
— Low playing cost halls	**38,547**	**2,956**	34,515	2,230	+11.7%
Total revenue	**79,808**	**6,120**	75,843	4,899	+5.2%

(1) Translated into Hong Kong dollars at the rate of ¥13.04 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

(2) Translated into Hong Kong dollars at the rate of ¥15.48 to HK$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015).

(3) The increase and decrease are referred to the changes in respect of the Japanese yen amounts but not the translated amounts in Hong Kong dollars.

During this interim period, the utilization of pachinko machines has shown downward trend and the pachinko hall operators have continued to face challenging business circumstances in the entire industry. On the other hand, low playing cost operations are steadily prevailing in the entire industry, and the number of customers at low playing cost halls tends to increase as the outcome of improved game environment to attract more customers to visit pachinko halls and enjoy easily.

Under such business environment, the Group implemented measures to improve the utilization of pachinko machines in our halls by setting up our halls from the customer's point of view such as conversion of hall type to cater our customers' needs, improvement of game environment by facility update, and corporate-wide sharing of successful cases at our pachinko halls.

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

During this interim period, the Group opened 3 new low playing cost halls, closed 1 hall as a result of reviewing commercial areas and converted 5 high playing cost halls to low playing cost halls and 1 low playing cost hall to high playing cost hall. Furthermore, we acquired Yume Corporation into the Group last November. Through such countermeasure, the number of halls as at the end of September 2016 became 444. By hall type, we operate 181 high playing cost halls and 263 low playing cost halls, with low playing cost halls making up the majority at 59% of the total.

As overall results of our efforts mentioned above, our total gross pay-ins for the six months ended 30 September 2016 was ¥416,246 million (equivalent to approximately HK$31,921 million), recording an approximately equivalent performance to the previous interim period of ¥417,104 million (equivalent to approximately HK$26,945 million). Also, our total revenue increased by approximately 5.2%* to ¥79,808 million (equivalent to approximately HK$6,120 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 interim period.

GROSS PAY-INS

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

Our gross pay-ins was ¥417,104 million (equivalent to approximately HK$26,945 million) and ¥416,246 million (equivalent to approximately HK$31,921 million) for the six months ended 30 September 2015 and 2016 respectively.

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

Gross pay-ins for high playing cost halls decreased by ¥14,633 million (equivalent to approximately HK$1,122 million*), or 5.4%*, from ¥269,133 million (equivalent to approximately HK$17,386 million) for the six months ended 30 September 2015 to ¥254,500 million (equivalent to approximately HK$19,517 million) for the six months ended 30 September 2016. The decrease was primarily due to the decrease in utilization of our high playing cost machines and increased installation ratio of low playing cost machines.

Gross pay-ins for low playing cost halls increased by ¥13,775 million (equivalent to approximately HK$1,056 million*), or 9.3%*, from ¥147,971 million (equivalent to approximately HK$9,559 million) for the six months ended 30 September 2015 to ¥161,746 million (equivalent to approximately HK$12,404 million) for the six months ended 30 September 2016. The increase was due primarily to the addition of 37 halls compared with the end of the previous interim period through new hall openings, conversion of hall types from high playing cost halls, and acquisition of Yume Corporation into the Group.

GROSS PAYOUTS

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

Our gross payouts was ¥341,261 million (equivalent to approximately HK$22,045 million) and ¥336,438 million (equivalent to approximately HK$25,800 million) for the six months ended 30 September 2015 and 2016 respectively.

Our gross payouts by hall type are as follows.

Gross payouts for high playing cost halls decreased by ¥14,565 million (equivalent to approximately HK$1,117 million*), or 6.4%*, from ¥227,804 million (equivalent to approximately HK$14,716 million) for the six months ended 30 September 2015 to ¥213,239 million (equivalent to approximately HK$16,353 million) for the six months ended 30 September 2016, which was in line with the decrease in gross pay-ins.

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Gross payouts for low playing cost halls increased by ¥9,743 million (equivalent to approximately HK$747 million*), or 8.6%*, from ¥113,457 million (equivalent to approximately HK$7,329 million) for the six months ended 30 September 2015 to ¥123,200 million (equivalent to approximately HK$9,448 million) for the six months ended 30 September 2016. The increase was due primarily to the increase in gross pay-ins as a result of the addition of 37 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 revenue increased by ¥3,965 million (equivalent to approximately HK$304 million*), or 5.2%*, from ¥75,843 million (equivalent to approximately HK$4,899 million) for the six months ended 30 September 2015 to ¥79,808 million (equivalent to approximately HK$6,120 million) for the six months ended 30 September 2016.

Our revenue by hall type are as follows.

Revenue for high playing cost halls slightly decreased by ¥66 million (equivalent to approximately HK$5 million*), or 0.2%*, from ¥41,328 million (equivalent to approximately HK$2,670 million) for the six months ended 30 September 2015 to ¥41,262 million (equivalent to approximately HK$3,164 million) for the six months ended 30 September 2016. The decrease was primarily due to a decrease in gross pay-ins. The revenue margin for the six months ended 30 September 2016 increased by 0.8 points* to 16.2% as compared with the previous interim period, reflecting decreased ratio of gross payouts to gross pay-ins. The decrease in the ratio of gross payouts was a result of change in machine mix implemented as operational measures at our halls.

Revenue for low playing cost halls increased by ¥4,032 million (equivalent to approximately HK$309 million*), or 11.7%*, from ¥34,515 million (equivalent to approximately HK$2,230 million) for the six months ended 30 September 2015 to ¥38,547 million (equivalent to approximately HK$2,956 million) for the six months ended 30 September 2016. The revenue margin for the six months ended 30 September 2016 increased by 0.5 points to 23.8% as compared with the previous interim period, reflecting decreased ratio of gross payouts to gross pay-ins. The decrease in the ratio of gross payouts was a result of change in machine mix implemented as operational measures at our low playing cost halls.

HALL OPERATING EXPENSES

Hall operating expenses for the six months ended 30 September 2016 was ¥72,474 million (equivalent to approximately HK$5,558 million), recording an increase by ¥3,619 million (equivalent to approximately HK$278 million*), or 5.3%* as compared to the previous interim period reflecting substantial increase in the number of halls including new hall openings and acquisition of Yume Corporation into the Group.

Our hall operating expenses by hall type are as follows.

Hall operating expenses for high playing cost halls decreased by ¥1,360 million (equivalent to approximately HK$104 million*), or 3.8%*, from ¥35,479 million (equivalent to approximately HK$2,292 million) for the six months ended 30 September 2015 to ¥34,119 million (equivalent to approximately HK$2,616 million) for the six months ended 30 September 2016 due primarily to reduced procurement of pachinko and pachislot machines. The average hall operating expenses per hall also decreased by 7.6% due primarily to reduced procurement of pachinko and pachislot machines.

Hall operating expenses for low playing cost halls increased by ¥4,979 million (equivalent to approximately HK$382 million*), or 14.9%*, from ¥33,376 million (equivalent to approximately HK$2,156 million) for the six months ended 30 September 2015 to ¥38,355 million (equivalent to approximately HK$2,941 million) for the six months ended 30 September 2016, due primarily to the increase in all expense accounts such as hall staff costs associated with addition of 37 halls compared with the end of the previous interim period. The average hall operating expenses per hall decreased by 1.2% due primarily to reduced procurement of pachinko and pachislot machines.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by ¥46 million (equivalent to approximately HK$4 million*), or 1.7%*, from ¥2,738 million (equivalent to approximately HK$177 million) for the six months ended 30 September 2015 to ¥2,692 million (equivalent to approximately HK$206 million) for the six months ended 30 September 2016. The decrease was primarily due to the outcome of improved productivity such as cost reduction.

OTHER INCOME

Other income for the six months ended 30 September 2015 and 2016 were ¥3,644 million (equivalent to approximately HK$235 million) and ¥4,676 million (equivalent to approximately HK$359 million), respectively. The increase was primarily attributable to the increased sales from property held for sale and increased commission income from vending machines and in-store sales, and increased rental income.

OTHER OPERATING EXPENSES

Other operating expenses increased by ¥599 million (equivalent to approximately HK$46 million*), or 117.2%*, from ¥511 million (equivalent to approximately HK$33 million) for the six months ended 30 September 2015 to ¥1,110 million (equivalent to approximately HK$85 million) for the six months ended 30 September 2016. The increase was primarily attributable to increased sales cost of property held for sale, increased rental cost, and increased amount of the impairment loss on disposal of property, plant and equipment recognized for this interim period.

FINANCE INCOME

Finance income decreased by ¥102 million (equivalent to approximately HK$8 million*), from ¥275 million (equivalent to approximately HK$18 million) for the six months ended 30 September 2015 to ¥173 million (equivalent to approximately HK$13 million) for the six months ended 30 September 2016. The decrease was primarily attributable to the net exchange gain recognized for the previous interim period.

FINANCE EXPENSES

Finance expenses increased by ¥1,411 million (equivalent to approximately HK$108 million*), from ¥335 million (equivalent to approximately HK$22 million) for the six months ended 30 September 2015 to ¥1,746 million (equivalent to approximately HK$134 million) for the six months ended 30 September 2016. The increase was primarily attributable to the net exchange loss recognized for this interim period.

* The increase and decrease are referred to the changes in respect of the Japanese yen amounts but not the translated amounts in Hong Kong dollars.

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CASH FLOW AND LIQUIDITY

Cash flows

We meet our working capital and other capital requirements principally with the following: (i) cash generated from our operations and (ii) bank borrowings.

The table below sets out the cash flow data extracted from our consolidated statement of cash flows:

	Six months ended 30 September			
	2016 (unaudited)		2015 (unaudited)	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Net cash generated from operating activities	**14,866**	**1,140**	13,010	840
Net cash used in investing activities	**(5,414)**	**(415)**	(8,031)	(519)
Net cash used in financing activities	**(4,564)**	**(350)**	(1,956)	(126)
Effects of exchange rate changes on cash and cash equivalents	**(236)**	**(18)**	156	10
Net increase in cash and cash equivalents	**4,652**	**357**	3,179	205
Cash and cash equivalents at the beginning of period	**28,134**	**2,158**	29,239	1,889
Cash and cash equivalents at the end of period	**32,786**	**2,514**	32,418	2,094

Net cash generated from operating activities

The following table sets forth a summary of our cash flows from operating activities for the periods indicated:

	Six months ended 30 September			
	2016 (unaudited)		2015 (unaudited)	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Operating profit before working capital changes	**14,559**	**1,116**	13,147	849
Change in working capital	**2,727**	**209**	666	43
Cash generated from operations	**17,286**	**1,326**	13,813	892
Income taxes paid	**(2,328)**	**(179)**	(546)	(35)
Finance expenses paid	**(92)**	**(7)**	(257)	(17)
Net cash generated from operating activities	**14,866**	**1,140**	13,010	840

Notes:

(1) Translated into Hong Kong dollars at the rate of ¥13.04 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

(2) Translated into Hong Kong dollars at the rate of ¥15.48 to HK$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015).

Our net cash generated from operating activities was ¥14,866 million (equivalent to approximately HK$1,140 million) for the six months ended 30 September 2016 as compared to ¥13,010 million (equivalent to approximately HK$840 million) for the six months ended 30 September 2015. The increase in our net cash generated from operating activities was mainly due to increase in operating profit before working capital change, and positive change in working capital.

Net cash used in investing activities

Our cash used in investing activities primarily consist of capital expenditures for property, plant and equipment, including freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles and construction in progress. Net cash used in investing activities was ¥8,031 million (equivalent to approximately HK$519 million) and ¥5,414 million (equivalent to approximately HK$415 million) for the six months ended 30 September 2015 and 2016, respectively. The cash outflow for the six months ended 30 September 2016 was primarily due to the purchase of property, plant, and equipment amounted to ¥5,371 million (equivalent to approximately HK$412 million).

Net cash used in financing activities

Our cash used in financing activities primarily consists of dividends paid to Shareholders, repayment of bank borrowings, and repayment of finance leases.

For the six months ended 30 September 2016, net cash used in financing activities was ¥4,564 million (equivalent to approximately HK$350 million) compared to net cash generated from financing activities of ¥1,956 million (equivalent to approximately HK$126 million) for the six months ended 30 September 2015.

The cash outflow for the six months ended 30 September 2016 was primarily due to the dividend payment in the amount of ¥4,590 million (equivalent to approximately HK$352 million) and repayment of bank loans in the amount of ¥3,369 million (equivalent to approximately HK$258 million), while cash inflow by bank loans raised in the amount of ¥3,300 million (equivalent to approximately HK$253 million) .

Financial **Review**

LIQUIDITY

Net current assets and working capital sufficiency

The following table sets forth our current assets and current liabilities for the periods indicated:

	30 September 2016		31 March 2016	
		(in millions)		
	¥	**HK$[1]**	¥	HK$[2]
Current assets				
Inventories	**4,077**	**313**	3,580	246
Trade receivables	**486**	**37**	459	32
Prizes in operation of pachinko halls	**4,953**	**380**	4,916	338
Other current assets	**4,600**	**353**	6,151	423
Cash and cash equivalents	**32,786**	**2,514**	28,134	1,936
	46,902	**3,597**	43,240	2,976
Current liabilities				
Trade and other payables	**18,581**	**1,425**	17,786	1,224
Borrowings	**4,242**	**325**	2,369	163
Finance lease payables	**57**	**4**	86	6
Provisions	**1,881**	**144**	1,731	119
Income taxes payables	**3,894**	**299**	2,497	172
Other current liabilities	**7,339**	**563**	6,369	438
	35,994	**2,760**	30,838	2,122
Net current assets	**10,908**	**837**	12,402	854

(1) Translated into Hong Kong dollars at the rate of ¥13.04 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

(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).

As at 31 March 2016 and 30 September 2016, our net current assets totaled ¥12,402 million (equivalent to approximately HK$854 million) and ¥10,908 million (equivalent to approximately HK$837 million), respectively, and our current ratio was 1.4 and 1.3, respectively.

CAPITAL EXPENDITURE

Our capital expenditures consist primarily of purchases of land, buildings including the cost of leasehold improvements, tools and equipment, motor vehicles and construction in progress. Our capital expenditures for the six months ended 30 September 2015 and 2016 were ¥7,494 million (equivalent to approximately HK$484 million) and ¥5,066 million (equivalent to approximately HK$388 million), respectively. Our capital expenditures were primarily related to the improvements of facilities in our halls to enhance our competitiveness in attracting customers and the construction of new halls.

CONTINGENT LIABILITIES

As at 30 September 2016, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The information on capital commitments is provided on note 13 to the interim condensed consolidated financial statements on page 55 of this Interim Report.

ACQUISITION AND DISPOSAL

For the six months ended 30 September 2016, there was no material acquisition and disposal of any of our subsidiaries.

SIGNIFICANT INVESTMENTS

Save for the new halls opened, we did not have any significant investments during the six months ended 30 September 2016.

EMPLOYEES

As at 30 September 2016, we had approximately 18,129 employees (31 March 2016: 17,780). We will regularly review remuneration and benefits of our employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including housing fund schemes and discretionary incentive, etc. The employee remuneration incurred for the six months ended 30 September 2016 was ¥26,719 million (equivalent to approximately HK$2,049 million).

CAPITAL STRUCTURE

Principal sources of funds

Our principal sources of funds are cash generated from our operations and various short-term and long-term bank borrowings and lines of credit. Our primary liquidity requirements are to finance working capital, fund the payment of interest and principal due on our indebtedness and fund our capital expenditures and the growth and expansion of our operations.

We have historically met our working capital and other liquidity requirements principally from cash generated by our operations, while financing the remainder primarily through bank borrowings. Going forward, we expect to continue relying principally on our internally-generated cash flows for our working capital and other liquidity requirements, and bank borrowings as capital resources to finance a portion of our operations.

Financial **Review**

Indebtedness

Our short-term and long-term borrowings outstanding as at 30 September 2016 were ¥4,242 million (equivalent to approximately HK$325 million) and ¥16,501 million (equivalent to approximately HK$1,265 million), respectively.

Loan facilities

At as 30 September 2016, we had a total amount of approximately ¥74,000 million (equivalent to approximately HK$5,675 million) of banking facilities and an installment facility available to us, of which approximately ¥58,500 million (equivalent to approximately HK$4,486 million) was unutilized.

The overview of our loan facilities is as follows.

On 30 September 2015, the Company entered into a loan agreement with a syndicated of lenders, which provided for a revolving loan facility in an amount of up to ¥10,000 million. The commitment of the lenders to provide for loans under the revolving loan facility is available for one year period. Borrowings under the revolving loan facility bear interest at the rate of 0.4% per annum over the interest rate for the corresponding loan term published by the Japanese Bankers Association for euroyen TIBOR, subject to adjustment from time to time.

Dynam has been continuing the commitment line contract with banks and syndicated of lenders with regard to the one responsive to earthquake disaster. The previous commitment line contract has remained a slight concern in the fund-raising due to effectuation of immunity reason for financial institutions at the time of large scale earthquake disaster. Dynam has signed the new commitment line contract responsive to earthquake disaster to resolve the above concern, which has enabled to secure the fund promptly even in the case earthquake disaster occurs. This commitment line provides a revolving loan facility in an amount of up to ¥15,000 million. The commitment of the lenders to provide for loans under the revolving loan facility is available for the period from the execution date of the original loan agreement to 29 March 2019. Borrowings under the revolving loan facility bear interest at the rate of 0.4% per annum over the interest rate for the corresponding loan term published by the Japanese Bankers Association for euroyen TIBOR, subject to adjustment from time to time.

On 20 March 2015, Dynam also entered into a loan agreement with a syndicated of lenders, which provided for a revolving loan facility in an amount of up to ¥30,000 million. The loan facility is available for the period from the execution date of the loan agreement to 31 March 2022. Borrowings under the loan facility bear interest at the rate of 0.5% per annum over the interest rate for the corresponding loan term published by the Japanese Bankers Association for euroyen TIBOR, subject to adjustment from time to time.

Further to the above loan facilities, on 30 September 2016, Dynam entered into a new installment facility contract with a syndicated of leasing companies in an amount of up to ¥15,000 million for the purpose of procurement of pachinko and pachislot machines upon expiration of the previous installment facility contract dated 30 September 2015. The loan facility is available for one year period from the execution date of the agreement.

FINANCIAL RISKS

The Group's activities expose it to a variety of market risks, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market Risks

Foreign currency risk

We have certain exposure to foreign currency risk as most of our business transactions, assets and liabilities are principally denominated in the functional currencies of our subsidiaries, but certain business transactions, assets and liabilities are denominated in Hong Kong dollars and United States dollars. We currently do not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. We will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group's financial assets at fair value through other comprehensive income are measured at fair value at the end of each reporting period, exposing us to equity security price risk. We periodically review the fair values of these investments as well as the financial condition of investees.

Interest rate risk

Our exposure to interest rate risk arises from bank deposits and borrowings. These deposits and borrowings bear interest at variable rates. We have used interest rate swaps in order to mitigate our exposure associated with fluctuations in interest rates.

Credit Risk

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the Directors.

In order to minimize credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

Liquidity Risk

The Group's policy is to regularly monitor its current and expected liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet Its liquidity requirements in the short and long term.

Corporate Governance **and Other Information**

CORPORATE GOVERNANCE

The Company is committed to the principles of consistent corporate governance and corporate responsibility. 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 included in the Appendix 14 to the Listing Rules.

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 A.2.1

Under code provision A.2.1, the roles of chairman and chief executive should be performed by different individuals.

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 in the interests of the Company and its Shareholders. Further, the Board considers that a balance of power and authority can be ensured by the current Board composition, with over half of the Board members being independent non-executive Directors.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting 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 2016 was held on 23 June 2016, while the AGM notice was despatched on 31 May 2016. 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 2016). 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 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 a code of conduct of the Company 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.

THE BOARD OF DIRECTORS

The Board is collectively responsible for the management and operations of the Company, setting fundamental business strategies and policies for the management and operation of the Group's business and monitoring their implementation. It is accountable to the Shareholders for its performance and activities and is the ultimate decision making body of the Group except for those matters that are reserved for approval by Shareholders in accordance with the Articles of Incorporation, the Listing Rules and other applicable laws and regulations. All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times. The running of the day-to-day businesses of the Company is delegated by the Board to the Chief Executive Officer and other executive officers except that authority is reserved for the Board to approve fundamental business strategies and policies, and all important matters such as interim and annual financial statements, dividend policy, annual budgets, business plans, risk management and internal control systems, material transactions and other significant operational matters. The delegated functions and responsibilities are periodically reviewed. The executive officer is responsible for contributing to the success of the implementation of the policies laid down by the Board in connection with the conduct of the businesses of the Group. The executive officer is being held accountable for reporting to the Board at least once in every three months. The Board currently consists of nine Directors, comprising two executive Directors, two non-executive Directors and five independent non-executive Directors. Pursuant to the Articles of Incorporation, the Directors are elected by the Shareholders at the AGM. The term of office of a Director shall expire at the end of the next AGM to be held after his appointment. Directors may serve any number of consecutive terms.

The Directors have no financial, business, family or other material/relevant relationships with each other, except that Mr. Yoji SATO who is the non-executive Director and Senior Corporate Advisor of the Board and Mr. Kohei SATO who is the executive Director, the Chief Executive Officer, President and the Chairman of the Board are brothers.

Attendance of each Director at Board meetings, committees' meetings and Shareholders' meetings held during the Reporting Period is as follows:

	Number of meetings held/attended				
	Board meetings	**Audit Committee meetings**	**Remuneration Committee meetings**	**Nomination Committee meetings**	**Shareholders' meetings**
Number of meetings held	7	8	6	4	1
Executive Directors					
Mr. Kohei SATO *(Chairman of the Board, President and Chief Executive Officer)*	7/7	N/A	6/6	4/4	1/1
Mr. Haruhiko MORI	7/7	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Yoji SATO *(Senior Corporate Advisor of Board)* (Re-designated on 23 June 2016)	7/7	N/A	N/A	N/A	1/1
Mr. Noriaki USHIJIMA	7/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ichiro TAKANO	7/7	8/8	N/A	N/A	1/1
Mr. Mitsutoshi KATO	7/7	N/A	6/6	4/4	1/1
Mr. Thomas Chun Kee YIP	7/7	8/8	N/A	N/A	1/1
Mr. Eisho KUNITOMO	7/7	8/8	N/A	N/A	1/1
Mr. Kei MURAYAMA	7/7	N/A	6/6	4/4	1/1

Corporate Governance **and** **Other Information**

CONFIRMATION ON INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

During the Reporting Period, Mr. Ichiro TAKANO, Mr. Mitsutoshi KATO, Mr. Thomas Chun Kee YIP, Mr. Eisho KUNITOMO and Mr. Kei MURAYAMA were outside directors (shagai torishimariyaku 社外取締役) of the Company. The Directors are of the view that this position does not affect these five persons' independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by the Company's Japan legal adviser, Soga Law Office, the five persons, as outside directors (shagai torishimariyaku 社外取締役), were not allowed to perform any executive functions in the Company under the relevant Japanese law and (ii) the five persons are independent of the Company, Directors, Chief Executive Officer, Substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

DIRECTOR'S TRAINING

Pursuant to the code provision A.6.5 of the Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The purpose of the code provision is to get the Directors involved in the Board with an awareness of contribution thereto. During the Reporting Period, all of the Directors have been committed to participating in appropriate continuous professional development activities by ways of attending training or reading material relevant to the Company's business or to the Directors' duties and responsibilities.

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 8 meetings during the Reporting Period with an attendance rate of 100%. The results for the six months ended 30 September 2016 have been reviewed by the Audit Committee.

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

PricewaterhouseCoopers Aarata (with its name changed to PricewaterhouseCoopers Aarata LLC with effect from 1 July 2016) has been reappointed as the auditor of the Company at the fifth AGM on 23 June 2016.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in accordance with the requirements of the Code. The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one executive Director, namely Mr. Kohei SATO. Main duties of the Remuneration Committee are to review and decide the remuneration package of all Directors and other senior management of the Group.

The Remuneration Committee held 6 meetings during the Reporting Period with an attendance rate of 100%. The Remuneration Committee reviewed and decided the remuneration package of all Directors and other senior management of the Company.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with the requirements of the Code. The Nomination Committee consists of two independent non-executive Directors, namely Mr. Mitsutoshi KATO (chairman) and Mr. Kei MURAYAMA, and one executive Director, namely Mr. Kohei SATO. The primary duties of the Nomination Committee are to make recommendations to the Shareholders on the appointment of the Directors.

The Nomination Committee held 4 meetings during the Reporting Period with an attendance rate of 100%. The Nomination Committee recommended the appointment of Directors for the approval from the Shareholders in AGM held in June 2016.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties including:

- to develop and review the Company's policy and practices on corporate governance, and make recommendations to the Board;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Company has prepared and adopted "Rules on Prevention of Insider Dealings" (with effect from 1 April 2014), which includes a guideline for officers and employees to report unpublished inside information to the Company to ensure consistent and timely disclosure and fulfillment of the Company's continuous obligations.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Directors recognise the responsibility for preparing the condensed consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue its business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Corporate Governance **and Other Information**

RISK MANAGEMENT, INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

The Board considers that the Group's risk management and internal control systems remained effective and adequate for the six months ended 30 September 2016. The Board, through the Audit Committee, has conducted review on the risk management and internal control systems and considers that no significant areas of concern have been identified.

The Board is responsible for, among others, overseeing the overall management of compliance risks, including the review and approval of anti-money laundering measures as well as remediation of any issues that arise. The Audit Committee ensures the implementation, effectiveness and compliance with relevant laws and regulations of the various anti-money laundering measures. The Audit Committee also reviews any risk management and internal control issues highlighted by internal auditing division and regulatory authorities and reports the audit findings to the Board on a regular basis to highlight any deficiencies in the anti-money laundering measures and risk management and internal control systems. The executive officers develop operational guidelines on anti-money laundering measure and evaluate the measures for effectiveness on a regular basis.

The Group as a pachinko operator is subject to various requirements and restrictions under various Japanese law and regulations. The Company adopts risk management, internal controls and procedures to ensure our pachinko operations are in compliance with the applicable laws and regulations in Japan and to detect and prevent money laundering activities in our pachinko operations. The risk management and internal control related measures enable us to detect irregularities and unusual trends in the transactions that take place in the Group's pachinko halls which, if detected, are reported to the executive officers for investigation and remediation. In addition, the hall staffs are educated to detect irregular customer activities, particularly those involving large amounts of cash.

SHAREHOLDERS' RIGHTS

Rights to demand that Directors call a Shareholders' meeting

Shareholders continuously holding Shares representing not less than 3% of the votes of all Shareholders for six months may demand that the Directors convene a Shareholders' meeting, by illustrating the matters which shall be the purpose of the Shareholders' meeting (limited to matters on which the Shareholders may exercise their votes) and providing the reason for the calling of the Shareholders' meeting.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or the registered office in Japan, or by e-mail through the website of the Company (https://www.dyjh.co.jp/english/contact/index.html).

Rights to demand that Directors include a proposal in a convocation notice

Shareholders continuously holding not less than 1% of the votes of all Shareholders or not less than 300 votes of all Shareholders for six months may demand that the Directors, no later than eight weeks prior to the date of the Shareholders' meeting, notify Shareholders of the summary of the proposals which the demanding Shareholders intend to submit with respect to the matters that are the purpose of the Shareholders' meeting and include a proposal in the convocation notices of the Shareholders' meetings.

The Company will notify the Shareholders of the date on which an annual Shareholders' meeting is to be held no less than ten weeks prior to the date of such meeting by making a voluntary announcement on the websites of the Company and the Hong Kong Stock Exchange.

INVESTOR RELATIONS

The Company also communicates with investment community and its Shareholders through announcements and annual and interim reports. All such reports and announcements can also be accessed via the Company's website. The Directors, company secretary or other appropriate members of the senior management also respond to inquiries from Shareholders and investment community promptly.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed herein, there were no changes to information required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDENDS

The Board declared an interim dividend of ¥6 per ordinary Share in respect of the six months ended 30 September 2016, payable on 13 January 2017 to Shareholders whose names appear on the Company's share register as at the close of business on 12 December 2016. Based on the assumption that 765,985,896 Shares shall be in issue as at 12 December 2016, it is expected that the interim dividend payable will amount to approximately ¥4,596 million (equivalent to approximately HK$352 million). Up to the Latest Practicable Date, 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 before 24 November 2016 (being 16 to 18 and 21 to 22 November 2016).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company repurchased 844,200 Shares from 29 March to 31 March 2016 and these Shares were cancelled on 28 April 2016. In addition, Yume Corporation, our subsidiary, sold 1,000,000 Shares during the Reporting Period.

Corporate Governance **and Other Information**

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 30 September 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, will be as follows:

(i) Interests in the Company

Name of Directors/ Chief Executive Officer	Nature of Interest	Number of Shares[1]	Approximate percentage of interest in the Company[2]
Mr. Yoji SATO	Interest in controlled corporations[3]	258,332,560	
	Interest in spouse[3]	760	
	Other[5]	197,571,800	
		455,905,120	59.519%
Mr. Kohei SATO	Beneficial Owner[4]	55,139,680	
	Other[5]	400,765,440	
		455,905,120	59.519%
Mr. Haruhiko MORI	Beneficial Owner	230,000	0.030%
Mr. Noriaki USHIJIMA	Beneficial Owner[6]	414,000	0.054%
Mr. Ichiro TAKANO	Beneficial Owner	20,000	0.003%

Notes:

(1) All interests stated are long positions.

(2) There were 765,985,896 Shares in issue as at 30 September 2016.

(3) SATO AVIATION CAPITAL LIMITED ("**SAC**"), which is wholly owned and controlled by Mr. Yoji SATO, is beneficially interested in 162,522,560 Shares. Rich-O is beneficially interested in 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by One Asia Foundation (Hong Kong) Co., Limited which is also wholly owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.

(4) Mr. Kohei SATO, one of the Sato Family Members (as hereinafter defined), has been reappointed as an executive Director on 23 June 2016 to serve concurrently as Chief Executive Officer. He is beneficially interested in 55,139,680 Shares.

(5) The Sato Family Members consist of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), Mr. Kohei SATO (brother of Mr. Yoji SATO), and Mr. Kiyotaka SATO (uncle of Mr. Yoji SATO). Each of the Sato Family Members is a family member of Mr. Yoji SATO and of each other, and is therefore deemed to be interested in the Shares in the Company in which Mr. Yoji SATO is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which any Sato Family Member is interested.

(6) Mr. Noriaki USHIJIMA, one of non-executive Directors, transferred 424,000 Shares during the Reporting Period.

Save as disclosed above, as at 30 September 2016, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(ii) Interest in the associated corporation

None of our Directors or chief executive of the Company has any interests or short positions in the Shares or underlying Shares or debentures of any associated corporation of the Company.

Corporate Governance **and** Other Information

INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions (currently not applicable) in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholders	Nature of Interest/Capacity	Number of Shares[1]	Approximate percentage of Shareholding[2]
SAC	Beneficial owner[3]	162,522,560	
	Interest in controlled corporation[3]	95,810,000	
		258,332,560	33.725%
Rich-O	Beneficial owner[3]	95,810,000	12.508%
One Asia	Beneficial owner[4]	80,000,000	10.444%
Mrs. Keiko SATO	Beneficial owner[3]	760	
	Interest in controlled corporation by spouse[3]	258,332,560	
	Other[5]	197,571,800	
		455,905,120	59.519%
Mr. Kiyotaka SATO	Beneficial owner	9,900,000	
	Other[5]	446,005,120	
		455,905,120	59.519%
Mr. Masahiro SATO	Beneficial owner	45,059,680	
	Other[5]	410,845,440	
		455,905,120	59.519%
Mr. Shigehiro SATO	Beneficial owner	46,575,680	
	Other[5]	409,329,440	
		455,905,120	59.519%
Mrs. Yaeko NISHIWAKI	Beneficial owner	40,896,760	
	Other[5]	415,008,360	
		455,905,120	59.519%

Notes:

(1) All interests stated are long positions.

(2) There were 765,985,896 Shares in issue as at 30 September 2016.

(3) SAC which is wholly owned and controlled by Mr. Yoji SATO, is beneficially interested in 162,522,560 Shares. Rich-O is beneficially interested in 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by One Asia Foundation (Hong Kong) Co., Limited which is also wholly owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO's interests under the SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.

(4) One Asia is a general incorporated foundation (ippan zaidan houjin 一般財團法人). The operation and management of One Asia is independent from the Controlling Shareholders and the Controlling Shareholders have no discretion in exercising One Asia's voting rights in the Company. The Shares held by One Asia are not counted as public Shares.

(5) The Sato Family Members consist of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), Mr. Kohei SATO (brother of Mr. Yoji SATO), and Mr. Kiyotaka SATO (uncle of Mr. Yoji SATO). The Sato Family Members are the beneficial owners of 197,572,560 Shares. Each of the Sato Family Members is a family member of Mr. Yoji SATO and of each other, and is therefore deemed to be interested in the Shares in which Mr. Yoji SATO is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which each of the Sato Family Members is interested.

Save as disclosed above, as at 30 September 2016, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

On behalf of the Board
Kohei SATO
Chairman of the Board

24 November 2016

Report on Review of the Interim Condensed Consolidated Financial **Information**

TO THE BOARD OF DIRECTORS OF DYNAM JAPAN HOLDINGS CO., LTD.

(Incorporated in Japan with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 39 to 57, which comprises the interim condensed consolidated statement of financial position of Dynam Japan Holdings Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2016 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information referred to above is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers Aarata LLC

24 November 2016

PricewaterhouseCoopers Aarata LLC
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Interim Condensed Consolidated Statement of **Income**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Six months ended 30 September 2016 ¥ million (unaudited)	2015 ¥ million (unaudited)
Revenue	5	**79,808**	75,843
Hall operating expenses	6	**(72,474)**	(68,855)
General and administrative expenses		**(2,692)**	(2,738)
Other income	7	**4,676**	3,644
Other operating expenses	8	**(1,110)**	(511)
Operating profit		**8,208**	7,383
Finance income	9	**173**	275
Finance expenses	10	**(1,746)**	(335)
Profit before income taxes		**6,635**	7,323
Income taxes	11	**(2,815)**	(2,539)
Net profit for the period		**3,820**	4,784
Attributable to:			
Owners of the Company		**3,860**	4,784
Non-controlling interests		**(40)**	(0)
		3,820	4,784
Earnings per share			
Basic (expressed in ¥)	17	**5.04**	6.44
Diluted (expressed in ¥)	17	**5.04**	6.44

Interim Condensed Consolidated Statement of **Comprehensive Income**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	**Six months ended 30 September**	
		2016	2015
		¥ million	¥ million
		(unaudited)	(unaudited)
Net profit for the period		**3,820**	4,784
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income		**2,599**	(4,937)
— Income tax effect of changes in fair value of financial assets measured at fair value through other comprehensive income		**27**	172
		2,626	(4,765)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(662)**	(50)
		(662)	(50)
Other comprehensive income/(loss) for the period, net of tax		**1,964**	(4,815)
Total comprehensive income/(loss) for the period		**5,784**	(31)
Attributable to:			
Owners of the Company		**5,813**	(31)
Non-controlling interests		**(29)**	(0)
		5,784	(31)

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2016

	Note	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
Non-current assets			
Property, plant and equipment	12,13	**108,302**	109,532
Investment properties		**1,880**	2,179
Intangible assets		**3,939**	3,991
Financial assets measured at fair value through other comprehensive income		**7,901**	6,479
Deferred tax assets		**12,054**	11,229
Other non-current assets		**12,621**	12,534
		146,697	145,944
Current assets			
Inventories		**4,077**	3,580
Trade receivables	14	**486**	459
Prizes in operation of pachinko halls		**4,953**	4,916
Other current assets		**4,600**	6,151
Cash and cash equivalents		**32,786**	28,134
		46,902	43,240
TOTAL ASSETS		**193,599**	189,184
Current liabilities			
Trade and other payables	15	**18,581**	17,786
Borrowings		**4,242**	2,369
Finance lease payables		**57**	86
Provisions		**1,881**	1,731
Income taxes payables		**3,894**	2,497
Other current liabilities		**7,339**	6,369
		35,994	30,838

Interim Condensed Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2016

	Note	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
Net current assets		**10,908**	12,402
Total assets less current liabilities		**157,605**	158,346
Non-current liabilities			
Deferred tax liabilities		**30**	20
Borrowings		**16,501**	18,394
Finance lease payables		**106**	126
Retirement benefit obligations		**242**	243
Other non-current liabilities		**1,479**	1,685
Provisions		**5,287**	5,259
		23,645	25,727
NET ASSETS		**133,960**	132,619
Capital and reserves			
Share capital		**15,000**	15,000
Capital reserve		**12,741**	12,883
Treasury shares		**–**	(289)
Retained earnings		**109,523**	110,253
Other component of equity		**(3,249)**	(5,202)
Equity attributable to owners of the Company		**134,015**	132,645
Non-controlling interests		**(55)**	(26)
TOTAL EQUITY		**133,960**	132,619

Interim Condensed Consolidated Statement of **Changes in Equity**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to equity holders of the Company											
					Other component of equity							
	Share capital	Capital reserve	Treasury shares	Retained earnings	Investment revaluation reserve	Fair value of financial assets at FVTOCI	Foreign currency translation reserve	Other reserves	Total	Total	Non-controlling interests	Total equity
	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)
At 1 April 2015	15,000	10,129	–	111,037	(3,129)	–	2,037	3	(1,089)	135,077	(24)	135,053
Cumulative effect of applying new standards and interpretations	–	–	–	(868)	3,129	(2,201)	(60)	–	868	–	–	–
Profit for the period	–	–	–	4,784	–	–	–	–	–	4,784	(0)	4,784
Other comprehensive loss for the period	–	–	–	–	–	(4,765)	(50)	–	(4,815)	(4,815)	(0)	(4,815)
Transfer to retained earnings	–	–	–	211	–	(211)	–	–	(211)	–	–	–
Total comprehensive loss for the period	–	–	–	4,995	–	(4,976)	(50)	–	(5,026)	(31)	(0)	(31)
2015 final dividend paid	–	–	–	(5,200)	–	–	–	–	–	(5,200)	–	(5,200)
Total changes in equity for the period	–	–	–	(205)	–	(4,976)	(50)	–	(5,026)	(5,231)	(0)	(5,231)
At 30 September 2015	15,000	10,129	–	109,964	–	(7,177)	1,927	3	(5,247)	129,846	(24)	129,822
At 1 April 2016	**15,000**	**12,883**	**(289)**	**110,253**	**–**	**(6,685)**	**1,480**	**3**	**(5,202)**	**132,645**	**(26)**	**132,619**
Profit for the period	**–**	**–**	**–**	**3,860**	**–**	**–**	**–**	**–**	**–**	**3,860**	**(40)**	**3,820**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**2,626**	**(673)**	**–**	**1,953**	**1,953**	**11**	**1,964**
Total comprehensive income for the period	**–**	**–**	**–**	**3,860**	**–**	**2,626**	**(673)**	**–**	**1,953**	**5,813**	**(29)**	**5,784**
Disposals of treasury shares	**–**	**(2)**	**149**	**–**	**–**	**–**	**–**	**–**	**–**	**147**	**–**	**147**
Cancellation of treasury shares	**–**	**(140)**	**140**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2016 final dividend paid	**–**	**–**	**–**	**(4,590)**	**–**	**–**	**–**	**–**	**–**	**(4,590)**	**–**	**(4,590)**
Total changes in equity for the period	**–**	**(142)**	**289**	**(730)**	**–**	**2,626**	**(673)**	**–**	**1,953**	**1,370**	**(29)**	**1,341**
At 30 September 2016	**15,000**	**12,741**	**–**	**109,523**	**–**	**(4,059)**	**807**	**3**	**(3,249)**	**134,015**	**(55)**	**133,960**

Interim Condensed Consolidated Statement of **Cash Flows**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income taxes	**6,635**	7,323
Adjustments for:		
Finance expenses	**1,746**	335
Finance income	**(173)**	(275)
Depreciation	**5,840**	5,399
Amortisation of intangible assets	**210**	202
Impairment loss on property, plant and equipment	**43**	43
Loss on disposals and write off of property, plant and equipment	**249**	131
Other adjustments	**9**	(11)
Operating profit before working capital changes:	**14,559**	13,147
Increase in prizes in operation of pachinko halls	**(37)**	(117)
(Increase)/decrease in inventories	**(1,179)**	415
(Increase)/decrease in trade receivables	**(31)**	36
Decrease in other non-current assets	**229**	65
Decrease in other current assets	**1,473**	3,205
Increase/(decrease) in trade and other payables	**1,328**	(3,558)
Increase in other current liabilities	**1,001**	660
Decrease in other non-current liabilities	**(206)**	(107)
Increase in current provisions	**150**	67
Decrease in retirement benefit obligations	**(1)**	–
Cash generated from operations	**17,286**	13,813
Income taxes paid	**(2,328)**	(546)
Finance expenses paid	**(92)**	(257)
Net cash generated from operating activities	**14,866**	13,010

	Note	Six months ended 30 September 2016 ¥ million (unaudited)	2015 ¥ million (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,371)**	(8,104)
Purchase of intangible assets		**(175)**	(297)
Proceeds from disposal of property, plant and equipment		**67**	0
Payments for asset retirement obligations		**(74)**	(4)
Purchase of financial assets measured at fair value through other comprehensive income		**(1)**	(239)
Proceeds from sales of financial assets measured at fair value through other comprehensive income		**10**	474
Finance income received		**125**	131
Other adjustments		**5**	8
Net cash used in investing activities		**(5,414)**	(8,031)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**3,300**	6,500
Repayment of bank loans		**(3,369)**	(3,080)
Repayment of finance leases		**(52)**	(176)
Proceeds from disposal of treasury shares		**147**	–
Dividends paid	16	**(4,590)**	(5,200)
Net cash used in financing activities		**(4,564)**	(1,956)
Effects of exchange rate changes on cash and cash equivalents		**(236)**	156
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,652**	3,179
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**28,134**	29,239
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**32,786**	32,418

Notes **to the Interim Condensed Consolidated Financial Information**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. GENERAL INFORMATION

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

The interim condensed consolidated financial information of the Company as of 30 September 2016 consist of the Company and its subsidiaries (the "Group"). The principal activities of the Group are operations of pachinko halls and services subordinated to the operation.

The interim condensed consolidated financial information was approved and authorized for issuance by the Board of Directors on 24 November 2016.

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2016 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 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Adoption of new and revised International Financial Reporting Standards

Significant accounting policies applied in the interim condensed consolidated financial information for the six months ended 30 September 2016 are the same as those applied in the consolidated financial statements for the fiscal year ended 31 March 2016 except for the following.

— IFRSs (Amendment), 'Annual Improvements to IFRSs 2012–2014 Cycle'
— IFRS10 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
— IAS34 (Amendment), Interim Financial Reporting

The application of the above amendments to IFRSs in the six months ended 30 September 2016 has not had a material impact on the Group's results of operations and financial position.

3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial information are the same as those of the consolidated financial information for the year ended 31 March 2016, 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. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of financial assets and liabilities are as follows:

	At 30 September 2016 ¥ million (unaudited)		At 31 March 2016 ¥ million (audited)	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets measured at FVTOCI	**7,901**	**7,901**	6,479	6,479
Financial assets measured at amortized cost	**10**	**10**	10	10
Loan and receivables (including cash and cash equivalents)	**35,205**	**35,205**	30,353	30,353
Rental deposits	**6,858**	**7,479**	6,882	7,517
Total	**49,974**	**50,595**	43,724	44,359
Financial liabilities				
Financial liabilities measured at amortized cost	**10,114**	**10,114**	9,532	9,532
Borrowings	**20,743**	**20,743**	20,763	20,763
Finance lease payables	**163**	**163**	212	212
Total	**31,020**	**31,020**	30,507	30,507

4. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Fair Value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets and liabilities into the three levels prescribed under the accounting standards.

An explanation of each level at the fair value hierarchy is as follows:

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access on the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.

The fair value of financial instruments traded in active markets is based on quoted market prices on the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices present actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed equity securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where they are available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Other investments categorised as level 3 mainly consist of unlisted equity securities in inactive markets.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Recognised fair value measurements

Financial assets and financial liabilities measured and recognised at fair value on a recurring basis are as follows:

At 30 September 2016	**Fair value measurements using:**			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	¥ million	**¥ million**	**¥ million**	**¥ million**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	**6,330**	**–**	**–**	**6,330**
Listed securities in Japan	**515**	**–**	**–**	**515**
Others	**–**	**–**	**1,056**	**1,056**
Total	**6,845**	**–**	**1,056**	**7,901**

At 31 March 2016	Fair value measurements using:			
Description	Level 1	Level 2	Level 3	Total
	¥ million	¥ million	¥ million	¥ million
	(audited)	(audited)	(audited)	(audited)
Financial assets measured at FVTOCI				
Listed securities in Hong Kong	4,804	–	–	4,804
Listed securities in Japan	514	–	–	514
Others	–	–	1,161	1,161
Total	5,318	–	1,161	6,479

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the reporting period.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- The use of discounted cash flow analysis

All of the resulting fair value estimate are included in level 3.

(d) Fair value measurements using significant unobservable inputs (level 3)

Changes in level 3 for the six months ended 30 September 2016 and 2015 were as follows:

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Balance at beginning of the period	**1,161**	1,028
Loss in other comprehensive income	**(77)**	(26)
Loss in profit or loss	**(19)**	–
Acquisitions	**1**	–
Disposals/(Redemptions)	**(10)**	–
Balance at end of the period	**1,056**	1,002

(e) Valuation process

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements.

Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For levels 2 and 3 fair value measurements, the Group engages external, independent and qualified valuers to determine the fair value of the Group's financial instruments.

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 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	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Gross pay-ins	**416,246**	417,104
Less: Gross payouts	**(336,438)**	(341,261)
Revenue	**79,808**	75,843

6. HALL OPERATING EXPENSES

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Advertising expenses	**2,617**	2,543
Cleaning and ancillary services	**1,921**	1,757
Depreciation charges expenses	**5,667**	5,228
G-prize expenses	**2,657**	1,194
Hall staff costs	**25,070**	23,034
Pachinko and pachislot machine expenses	**17,074**	19,156
Rental expenses	**6,461**	5,662
Repair and maintenance expenses	**1,851**	2,128
Utilities expenses	**3,270**	3,147
Others	**5,886**	5,006
	72,474	68,855

7. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Commission from vending machines and in-store sales	**2,400**	2,091
Income from forfeiture of customer's membership cards	**118**	124
Income from catering services	**300**	258
Sales from property held for sale	**480**	312
Net gains on disposals of used machines	**210**	242
Rental income	**458**	278
Others	**710**	339
	4,676	3,644

8. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Loss on disposal of non-financial assets	**274**	136
Impairment loss of non-financial assets	**43**	43
Cost of sales of property held for sale	**245**	148
Rental cost	**257**	103
Others	**291**	81
	1,110	511

9. FINANCE INCOME

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Bank interest income	**6**	5
Dividend income	**119**	126
Foreign exchange gains, net	**–**	89
Others	**48**	55
	173	275

10. FINANCE EXPENSES

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Interest expenses	**140**	88
Amortization of syndicated bank loan charges	**124**	206
Foreign exchange loss, net	**1,439**	–
Others	**43**	41
	1,746	335

11. INCOME TAXES

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed statement of profit or loss are:

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(unaudited)	(unaudited)
Current taxes	**3,606**	3,019
Deferred taxes	**(791)**	(480)
	2,815	2,539

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired property, plant and equipment of ¥5,066 million (2015: ¥7,494 million).

13. COMMITMENTS

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

	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
Capital commitment for purchase of property, plant and equipment	**912**	204
	912	204

14. TRADE RECEIVABLES

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

The aging analysis of the trade receivables based on invoice dates is as follows:

	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
1 to 30 days	**482**	432
31 to 60 days	**1**	23
Over 60 days	**3**	4
	486	459

15. TRADE AND OTHER PAYABLES

	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
Trade payables	**1,682**	1,432
Halls construction and system payables	**2,055**	2,438
Other tax expenses	**1,736**	2,492
Pachinko and pachislot machine payables	**3,618**	2,340
Accrued staff costs	**8,202**	8,102
Others	**1,288**	982
	18,581	17,786

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

	At 30 September 2016 ¥ million (unaudited)	At 31 March 2016 ¥ million (audited)
1 to 30 days	**1,627**	1,372
31 to 60 days	**14**	11
Over 60 days	**41**	49
	1,682	1,432

16. DIVIDENDS

During the six months ended 30 September 2016 and 2015, the Company made the following distributions, which is shown in the interim condensed consolidated statement of changes in equity.

	Six months ended 30 September			
	2016		2015	
Dividends declared and paid/payable to its shareholders by:	**Dividend per share ¥**	**Total Dividends ¥ million (unaudited)**	Dividend per share ¥	Total Dividends ¥ million (unaudited)
Final dividend paid	**6.00**	**4,590**	7.00	5,200
		4,590		5,200

On 24 November 2016, the Board of Directors declared an interim dividend of ¥6.00 per ordinary share of the Company, which is payable on 13 January 2017 to the shareholders of the Company.

17. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2016 ¥ million (unaudited)	2015 ¥ million (unaudited)
Earnings for the purpose of calculating basic earnings per share	**3,860**	4,784
Weighted average number of shares	**765,007,753**	742,850,360
Basic earnings per share (¥)	**5.04**	6.44

Diluted earnings per share was the same as basic earnings per share for the six months ended 30 September 2016 and 2015 as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2016 and 2015.

Definitions

In this Interim Report (other than the Report on Review of the Interim Condensed Consolidated Financial Information), 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
"Beijing GEO"	Beijing GEO Coffee Co., Ltd.* (北京吉意歐咖啡有限公司), a company incorporated in the PRC on 4 August 2004 incorporated with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company (registration number 110000410209201)
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Partners"	Business Partners Co., Ltd.* (株式会社ビジネスパートナーズ), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 11 January 2011 (registration number 0115-01-017394). Business Partners is a subsidiary held as to 100% through Dynam Hong Kong by 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
"Dynam"	DYNAM Co., Ltd.* (株式会社ダイナム), a stock company incorporated in Japan with limited liability under the Companies Act on 25 July 1967 (registration number 0115-01-007357). Dynam is a wholly-owned subsidiary of the Company
"Dynam Business Support"	Dynam Business Support Co., Ltd.* (株式会社ダイナムビジネスサポート), a stock company incorporated in Japan with limited liability under the Companies Act on 1 April 2013 (registration number 0115-01-010575). Dynam Business Support is a wholly-owned subsidiary of the Company
"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
"Erin International"	Erin International Co., Ltd., a company incorporated in Mongolia with limited liability on 30 May 2003 (registration number 9019015133). As at the date of this Annual Report, Erin International is held as to 87.61% by the Company through Dynam Hong Kong
"general prize"	any prize offered by a pachinko hall that is not a G-prize
"Genghis Khan"	Genghis Khan Travel Co., Ltd.* (株式会社チンギスハーン旅行), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 13 November 2003 (registration number 0115-01-010593). Genghis Khan is held as to 100% by the Company through HUMAP Japan
"GIA/GIF Law"	the General Incorporated Associations and General Incorporated Foundations Law of Japan* (ippan shadan houjin oyobi ippan zaidan houjin ni kansuru houritsu 一般社団法人及び一般財団法人に関する法律) (Act No. 48 of 2006, as amended)

Definitions

"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
"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 0115-01-008097)
"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
"Japan Real Estate"	Japan Real Estate Co., Ltd.* (ジャパンリアルエステイト株式会社), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 4 September 2001
"Kanto Daido"	Kanto Daido Selling Co., Ltd.* (株式会社関東大同販売), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 22 January 1992 (registration number 0105-01-002705)
"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 *Yuttari Kan* and *Shinrai no Mori*, 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
"machine utilization"	the number of pachinko balls/pachislot tokens played per machine per day
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent of and operated in parallel with the Growth Enterprise Market of the Stock Exchange

Definitions

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	nomination committee of the Company
"One Asia"	One Asia Foundation* (一般財団法人ワンアジア財団), a general incorporated foundation (ippan zaidan houjin 一般財団法人) established in Japan under the GIA/GIF Law on 21 December 2009 (registration number 0115-05-01395) and a substantial Shareholder. As at 30 September 2014, One Asia was interested in 80,000,000 Shares, representing approximately 10.44% of our entire issued share capital
"our", "we", or "us"	the Company, or where the context requires, the Company and its subsidiaries collectively
"outside director"	outside directors (shagai torishimariyaku 社外取締役) of the Company. Outside directors (shagai torishimariyaku 社外取締役) has a different meaning under the Companies Act when compared with the meaning of "independent non-executive director" under the Listing Rules. Directors have considered all of the factors under Rule 3.13 of the Listing Rules and are satisfied with the independence of our independent non-executive Directors
"pachinko balls" or "balls"	small metal balls used to play pachinko games
"pachislot tokens" or "tokens"	small metal tokens used to play pachislot games
"P Insurance"	P Insurance Co., Ltd.* (株式会社ピーインシユアランス), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 28 January 2005 (registration number 0115-01-013256)
"PRC"	The People's Republic of China, excluding, for the purpose of this Interim Report, Hong Kong, Macau and Taiwan

"Remuneration Committee"	remuneration committee of the Company
"Reporting Period"	the period from 1 April 2016 to 30 September 2016
"Rich-O"	Rich-O Co., Ltd.* (リッチオ株式会社), a stock company incorporated in Japan with limited liability on 1 August 2006 under the Companies Act (registration number 0115-01-011944)
"Rich-O Korea"	Rich-O Korea Co., Ltd.* (株式会社リッチオコリア), a company incorporated with limited liability in South Korea on 27 February 2006 (registration number 110111-3408732)
"Sato Family Members"	the Sato Family Members are Mrs. Keiko SATO (佐藤恵子), Mrs. Yaeko NISHIWAKI (西脇八重子), Mr. Masahiro SATO (佐藤政洋), Mr. Shigehiro SATO (佐藤茂洋), Mr. Kohei SATO (佐藤公平) and Mr. Kiyotaka SATO (佐藤清隆) or any one of them, each being a family member of and an associate of Mr. Yoji SATO. Each of the Sato Family Members is a Controlling Shareholder
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the issued share capital of the Company
"Shareholder"	holder(s) of the issued share(s)
"*Shinrai no Mori*" (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
"Shinrainomori"	Shinrainomori Co., Ltd.* (株式会社信頼の森), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 3 December 2008

Definitions

"substantial Shareholders"	ascribed to the meaning under the Listing Rules
"TIBOR"	Tokyo Interbank Offered Rate
"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.

* *For identification purpose only*

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.*