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)

Annual Report 2015

Stock Code: 06889

* For identification purpose only

Contents

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

Three Principles of Actions

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

The DYNAM Group takes decisive actions and values team work.

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

FIVE MANAGEMENT POLICIES

1

Principle of Customers First

The DYNAM Group always adopts the principle of customers first,and acts accordingly

2

Information Disclosure

The DYNAM Group carries out transparent and fair management by appropriately disclosing information

3

Chain Store Management

The DYNAM Group is fully committed to achieving growth through its chain store management

4

Training of Human Resources

The DYNAM Group trains human resources and uses their collective energy

5

Social Contribution

The DYNAM Group contributes to society by becoming an organization that is indispensable to local communities

Top Management and **Committees**

Executive Directors
Yoji SATO *(Chairman of the Board)*
Kohei SATO *(Chief Executive Officer) (appointed on 26 June 2014)*

Non-executive Director
Noriaki USHIJIMA

Independent Non-executive Directors
Katsuhide HORIBA
Ichiro TAKANO
Yukio YOSHIDA
Mitsutoshi KATO
Thomas Chun Kee YIP

Authorised Representatives
Mitsutoshi KATO
Ming Wai MOK

Audit Committee
Ichiro TAKANO *(Chairman)*
Yukio YOSHIDA
Thomas Chun Kee YIP

Remuneration Committee
Katsuhide HORIBA *(Chairman)*
Mitsutoshi KATO
Yoji SATO

Nomination Committee
Katsuhide HORIBA *(Chairman)*
Mitsutoshi KATO
Yoji SATO

Corporate **Information**

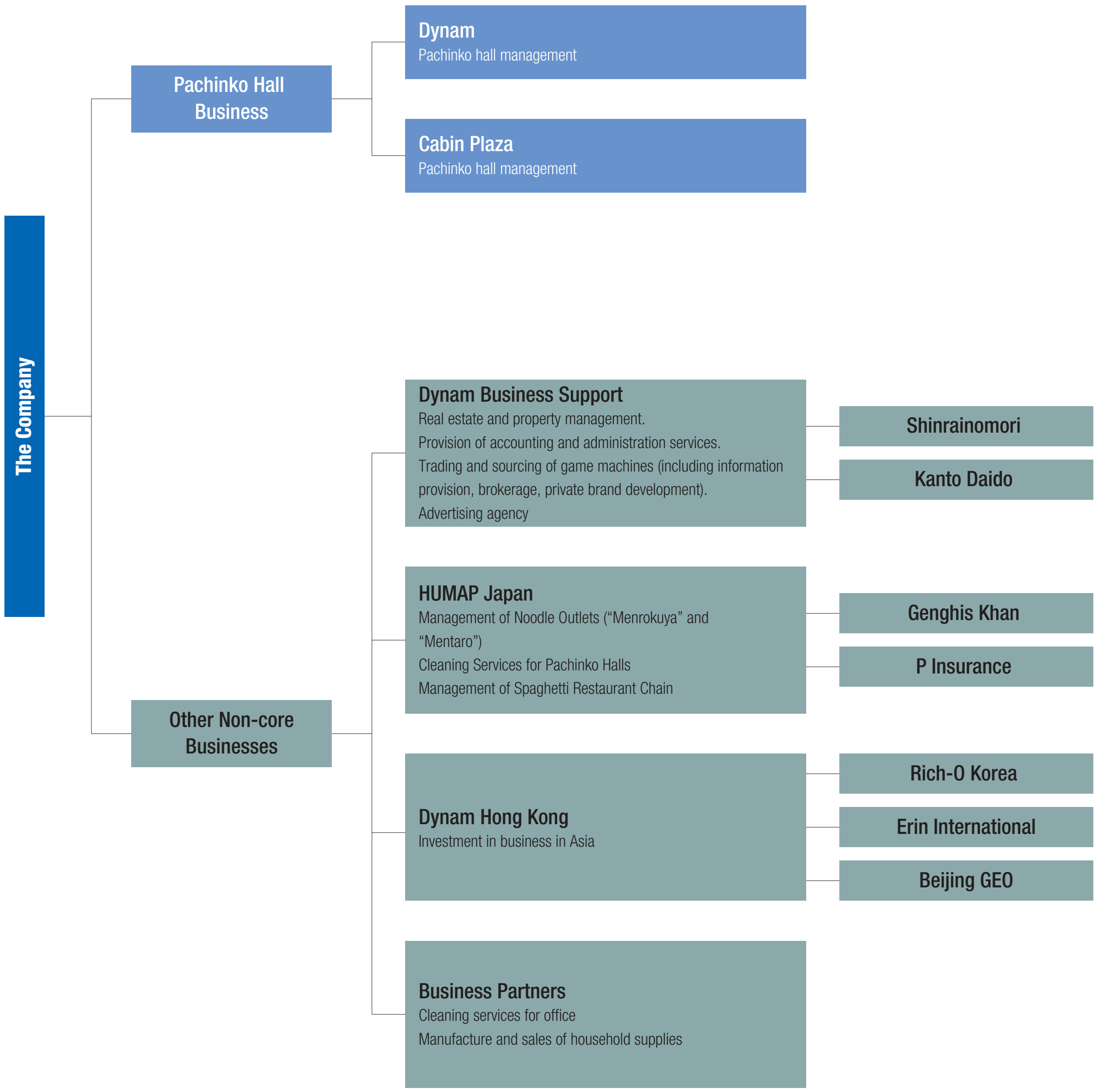
Headquarters and Registered Office	2-25-1-702 Nishi-Nippori Arakawa-ku Tokyo, 116-0013 Japan
Principal Place of Business in Hong Kong	Unit A1, 32nd Floor, United Centre 95 Queensway, Admiralty Hong Kong
Corporate Website	www.dyjh.co.jp
Investor Relations	E-mail: info@dyjh.co.jp
Stock Code	06889
Joint Company Secretaries	Norio HARASAWA *(appointed on 26 June 2014)* 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 *(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 6 subsidiaries.

As at 31 March 2015



PACHINKO HALL OPERATION AS OUR CORE BUSINESS

Largest Pachinko Hall Operator in Japan

The Company is a holding company which directly controls 6 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 393 halls as at the end of March 2015.

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.

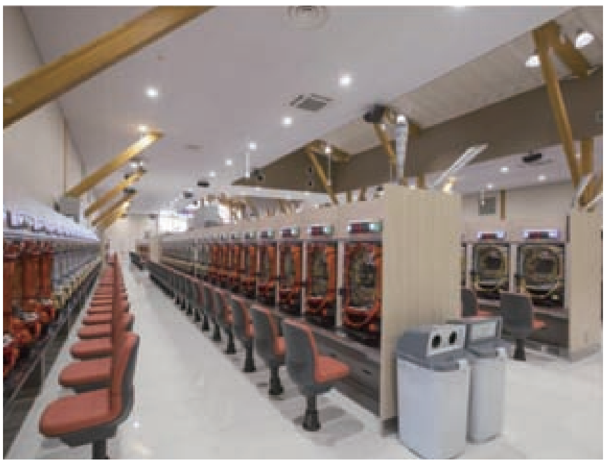
Pachislot is similar to the slot machines found in a casino. Inserting a token and hitting a lever rotates a reel — a spinning body on which images are displayed. Once the reel stops, the player can earn more tokens if the reel images are aligned. Gameplay costs generally range from ¥5 to ¥20 per token.

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 on the inside 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 a service that allows customers to select a desired 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

Our History and **Development**

1967

Foundation

1987

Sawa Shoji was renamed as Dynam.

Expansion of our pachinko hall operation began

1967

Our origins date back to 1967 when Sawa Shoji Co., Ltd. ("Sawa Shoji") was established in Japan by Mr. Yohei SATO (佐藤洋平), the father of Mr. Yoji SATO ("Mr. Sato"). Sawa Shoji Co., Ltd. was wholly-owned by Mr. Yohei SATO and was the predecessor of Dynam, which was, and remains to be, the holding company of our pachinko hall operations. The name "Sawa" was derived by combining the Japanese characters "Sa 佐" (from Sato 佐藤) and "wa 和" (harmony).

Our almost 47 years of pachinko hall operations began with our first two pachinko halls in Kameari (亀有) and Kanamachi (金町), Tokyo, which commenced business in July 1967. In 1970, Mr. Sato and the Sato Family Members succeeded the interests in Sawa Shoji Co., Ltd. from Mr. Yohei SATO. In 1978, Mr. Sato was named as the president and representative director (daihyo torishimariyaku 代表取締役) of Sawa Shoji Co., Ltd. and our pachinko hall operations have since been under his leadership and direction.

1987

In 1985, the revision of the Amusement Business Law, which standardised the licensing regime of the pachinko industry across Japan, provided a favourable environment for the development of a nationwide pachinko chain in Japan. The expansion of our pachinko hall operation came in 1987 when Sawa Shoji Co., Ltd. was renamed as DYNAM Co., Ltd. (株式会社ダイナム) which, according to Mr. Sato,was part of his plan to transform his family business into a nationwide operation.

The name DYNAM (ダイナム) is an abbreviation of Dynamic Amusement, emphasising our pachinko halls as an exciting entertainment option for our customers.

1989～1994

We began our expansion beyond the Tokyo area.

Our first hall built with wooden materials opened.

2001～2002

The number of our pachinko halls reached 100.

We established presence in the major regions in Japan.

2004～2006

The number of our pachinko halls reached 200.

Dynam Holdings acquired ownership of Dynam.

1989～1994

In 1989, the opening of our pachinko hall in Shibata (新発田), Niigata Prefecture (新潟県) marked the beginning of our expansion beyond the Tokyo metropolitan area. We extended our footprint beyond the Kanto (関東) region in 1992 by establishing our first hall on the northern island of Hokkaido (北海道) in Iwamizawa (岩見沢).

In 1994, our first pachinko hall built primarily with wooden materials opened as part of our strategy to rationalise the construction and development costs associated with our expansion.

2001～2002

We expanded into Kyushu (九州) in 2001 and Shikoku (四国) in 2002, upon which we had established presence in four of the major regions in Japan.

In 2001, we built a new head-office building in Nishi-Nippori, Tokyo and relocated the head office. In the same year, the number of pachinko halls in our network reached 100.

2004～2006

In 2004, the number of our pachinko halls reached 200 subsequent to 100 halls achieved in 2001. It means we have opened 100 new halls only in three years.

In 2006, Dynam Holdings acquired 100% ownership of Dynam and its subsidiaries through a stock swap.

We have changed into the group management system under the holding company.

Our History and **Development**

2007～2010

The number of our pachinko halls reached 300.

We expanded low playing cost halls.

Hall network expanded by acquisition of 3 operators.

2011

Dynam Japan Holdings was established.

2007～2010

We developed our Yuttari Kan (ゆったり館) and Shinrai no Mori (信頼の森) brands in the 2000s. While maintaining our appeal to traditional players, we have established our new brands to emphasise the entertainment aspect of pachinko halls. Our first Yuttari Kan and Shinrai no Mori halls opened in 2007 and 2009 respectively,featuring low playing cost machines and a wider selection of general prizes.

In particular, our Shinrai no Mori brand is a new concept in the pachinko industry. Shinrai no Mori came from two Japanese words, “Shinrai 信頼” (trust) and “Mori 森” (forest). By setting up designated closed-off smoking areas, air purifiers and segregated relaxation areas, we are committed to creating an environment with high air quality at our Shinrai no Mori pachinko halls, directly addressing the feedback of potential pachinko players who are generally discouraged by high noise levels and the possibility of passive smoking at pachinko halls, according to our own market research. Our new brands have been established to attract a more diverse customer base. In 2009, the number of our pachinko halls had reached 300.

To further expand our business, we acquired 100% interests in three regional pachinko hall operators in 2009 and 2010, namely Cabin Plaza, Daikokuten and Okuwa Japan, adding to our network of eight pachinko halls which were previously served by our network.

2011

In September 2011, Dynam Japan Holdings was established through incorporation type company split of Dynam Holdings. At the same time, we acquired interests of eight subsidiaries of Dynam Holdings and the business and assets of our pachinko hall operations were consolidated into our Group.

2012

The Company was primarily listed on the Main Board of the Stock Exchange in Hong Kong.

2013
up to now

Dynam Hong Kong was established.

Overseas operation and management function were enhanced.

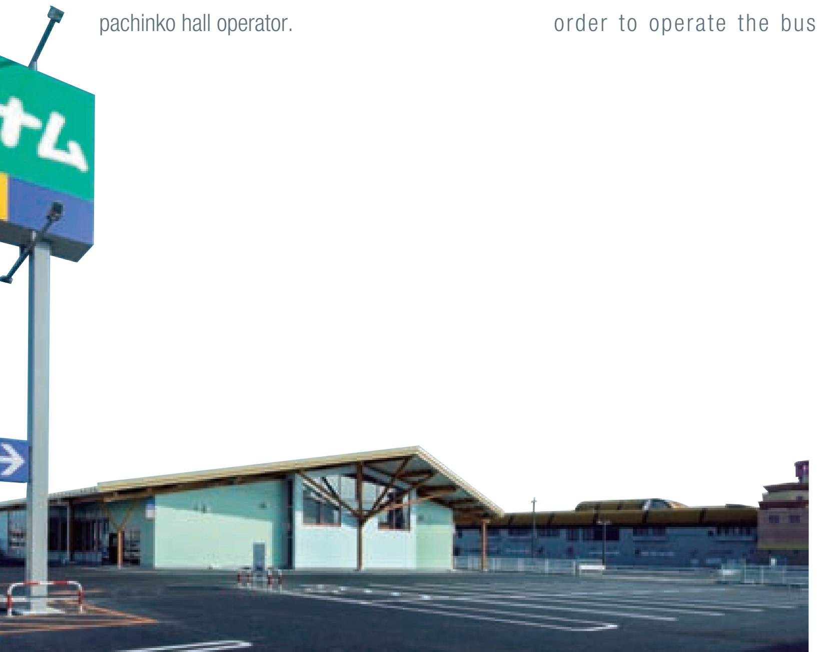
We progressed actions for the future new business opportunities surrounding integrated resorts.

2012

In 6 August 2012, we became the first Japan-incorporated company primarily listed on the Main Board of the Stock Exchange in Hong Kong and became the first listed company all over the world as pachinko hall operator.

2013 UP TO NOW

In January 2013, we incorporated Dynam Hong Kong, a wholly-owned subsidiary in Hong Kong with the aim of expanding our business in Asia where the market is expected to increase in the future and in order to operate the business more efficiently abroad and to strengthen the management function.



Financial **Highlights**

	Year ended 31 March						
	2015		2014		2013	2012	2011
			(in millions)				
	¥	**HK$**	¥	HK$	¥	¥	¥
Gross pay-ins	**826,072**	**53,261**	922,172	69,388	929,158	908,309	859,882
Less: gross payouts	**(671,516)**	**(43,296)**	(756,418)	(56,916)	(765,197)	(743,231)	(690,245)
Revenue	**154,556**	**9,965**	165,754	12,472	163,961	165,078	169,637
Hall operating expenses	**(134,659)**	**(8,682)**	(135,940)	(10,229)	(133,904)	(138,785)	(144,239)
General and administrative expenses	**(5,456)**	**(352)**	(4,086)	(307)	(3,112)	1,754	934
Other income	**6,850**	**442**	7,139	537	9,250	6,572	6,962
Other operating expenses	**(1,947)**	**(126)**	(1,132)	(85)	(1,906)	(874)	(813)
Operating profit	**19,344**	**1,247**	31,735	2,388	34,289	30,237	30,613
Finance income	**2,151**	**139**	3,660	275	-	-	-
Finance expenses	**(1,977)**	**(127)**	(781)	(59)	(853)	(1,833)	(2,137)
Profit before income taxes	**19,518**	**1,258**	34,614	2,605	33,436	28,404	28,476
Income taxes	**(8,259)**	**(532)**	(13,377)	(1,007)	(12,511)	(12,506)	(12,285)
Net profit for the year	**11,259**	**726**	21,237	1,598	20,925	15,898	16,191
Net profit attributable to:							
Owners of the Company	**11,303**	**729**	21,255	1,599	20,925	15,898	16,191
Non-controlling interests	**(44)**	**(3)**	(18)	(1)	-	-	-
	11,259	**726**	21,237	1,598	20,925	15,898	16,191
Earnings per share							
Basic	**¥15.2**	**HK$1**	¥28.6	HK$2	¥29.7	¥25.2	¥25.7
Diluted	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A
EBITDA(*)	**¥30,622**	**HK$1,974**	¥42,702	HK$3,213	¥42,312	¥41,520	¥42,624

* EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation, net foreign exchange gain or loss and fair value gain or loss on financial assets at fair value through profit or loss.

	At 31 March						
	2015		2014		2013	2012	2011
			(in millions)				
	¥	**HK$**	¥	HK$	¥	¥	¥
Non-current assets	**132,213**	**8,524**	135,223	10,175	117,756	119,590	132,161
Current assets	**48,723**	**3,141**	50,946	3,833	50,568	36,871	34,766
Current liabilities	**31,380**	**2,023**	34,910	2,627	31,873	33,384	45,020
Net current assets	**17,343**	**1,118**	16,036	1,207	18,695	3,487	10,254
Total assets less current liabilities	**149,556**	**9,643**	151,259	11,381	136,451	123,077	121,907
Non-current liabilities	**14,503**	**935**	9,249	696	11,357	29,603	36,537
Total equity	**135,053**	**8,707**	142,010	10,685	125,094	93,474	85,370

Note:

The results for the year ended 31 March 2014 and financial position as at 31 March 2014 and 2013 were reclassified and restated to reflect changes in method of presentation (Financial income) and the effect of adoption of IFRIC 21 "Levies".

Details of the changes in method of presentation and the adoption of new and revised IFRS are set out in the note 5 and 6 to the Consolidated Financial Statements from page 77 to 78 of this Annual Report.

CURRENCY TRANSLATIONS

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

1. ¥15.51 to HK$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

2. ¥13.29 to HK$1.00, the exchange rate prevailing on 31 March 2014 (i.e. the last business day in March 2014).

No representation is made that the Japanese yen amounts could have been, or could be, converted into Hong Kong dollars, or vice versa, at such rates or at any other rates on such date or on any other dates.

Top **Message**

Aiming for Sustainable Growth in Profitability through Chain-store Management

Yoji Sato
Chairman of the Board

Kohei Sato
Executive Director and Chief Executive Officer

AIMING TO IMPROVE TRUST AND SECURE MANAGEMENT TRANSPARENCY THROUGH PROACTIVE DISCLOSURE AND COMMUNICATION

We would like to begin by expressing our most sincere appreciation to all stakeholders of the Group including our shareholders and investors for your day-to-day support and understanding.

In August 2012, the Company became the first Japanese corporation to list independently on the main board of the Stock Exchange in Hong Kong. This was also the first time that shares of a pachinko hall operator were listed publicly, and this year marks our fourth year since listing. During this time, recognition of the Group has steadily risen, and not only the holding company, but also each and every group company employee is also becoming increasingly conscious of this.

Another pachinko hall operator became the second company in our industry to list in Hong Kong in April this year. We have raised disclosure of information as one of our key management policies for the Group, and we have been proactively disclosing management policies and financial results. The listing of the other pachinko hall operator will be an opportunity to further advance disclosure of information for the overall pachinko industry, and given that we expect this to further deepen understanding of our industry, we believe that the listing of other operators is highly significant for the Group.

We will continue to use disclosure of information to deepen communication with our stakeholders, secure management transparency, and improve trust with our stakeholders.

RESPONDING CAREFULLY TO THE CHANGING NEEDS OF OUR CUSTOMERS THROUGH LARGE-SCALE HALL RENOVATIONS

We develop the Group's core business of operating pachinko halls mainly through our subsidiary, Dynam, and we are one of the largest operators in the pachinko industry in Japan. As of 31 March 2015, the Group occupies the No. 1 position in the industry in terms of hall numbers, and we also occupy the No. 2 position in terms of the key revenue indicator of gross pay-ins and revenue itself (based on results for the year ended 31 March 2015).

Although the Japanese economy is beginning to regain its strength on the back of factors including Government policy, our projections indicate considerable time will be required for a recovery in the personal consumption situation. In addition to this, the impact of the decline in consumer sentiment associated with the increase in consumption tax from 5% to 8% in April 2014 was particularly notable in the pachinko hall industry from the summer of last year onwards.

The impact of the increase in consumption tax was also large to the Group. As shown from the performance of the industry as a whole, revenue declined in the year ended 31 March 2015 as a result of the decline in machine utilization at high playing cost halls. Above all, this trend stood out particularly at older high playing cost halls.

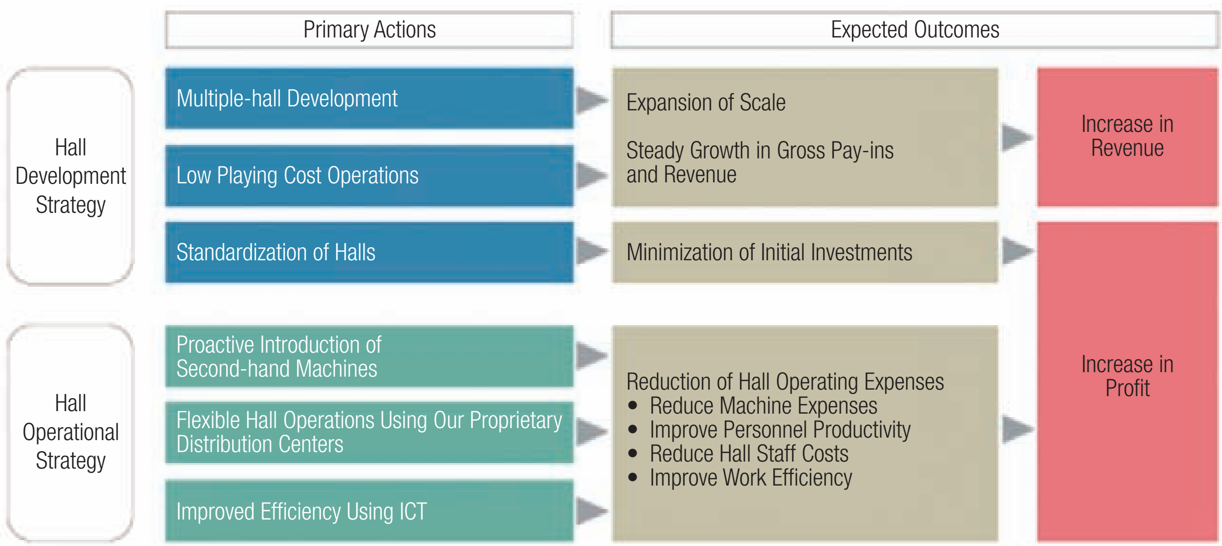
Given this trend, we conducted large-scale renewal at 40 of our halls in the second half of the Reporting Period. By improving the attractiveness of our halls through changing the mix of machine as well as refurbishing hall exterior finishing and facilities, we have been able to shift the trend in machine utilization toward growth. Because of this, we plan to continue renovations in the first half of the fiscal year ending 31 March 2016.

Going forward, the Group subscribes to the customer first principle as one of our management policies, and we constantly act with priority on our customers. We will continue to use renovation of our halls to respond carefully to the changing needs of our customers while maintaining our origin in prioritizing customers.

ACCUMULATING SUSTAINABLE PROFIT OVER THE LONG TERM BY IMPLEMENTING CHAIN-STORE MANAGEMENT

The Group is consistently promoting a growth strategy from a long-term perspective, as we have done to date. As a group, we aim to implement chain-store management, which we have raised as one of our management policies.

Framework for Profit Improvement



Top **Message**

Chain-store management involves maximizing economies of scale through standardization and multiple-hall development and realizing low-cost operations in all aspects of our business. In other words, we standardize hall formats when we open new halls and implement cost controls to minimize initial costs. At the same time, we control gaming machine costs by introducing second-hand machines in addition to popular and hit machines in the operation of our halls after opening. Further, we aim to improve personnel productivity and reduce personnel expenses in our halls. We achieve this through the network of 16 proprietary distribution centers that we have developed throughout the country, which enables us to centralize machine installation for each hall within the areas that the centers cover, as well as measures such as introducing Individual Ball Counter System.

We opened 19 new halls in the year ended 31 March 2015, mainly centered on low playing cost halls. This brought the total number of halls for the Group to 393 as of 31 March 2015. Going forward, we will continue to promote multiple-hall development and low-cost operations by implementing chain-store management and aim for growth through long-term accumulation of profit.

IMPROVING OPERATIONAL RISK READINESS AND CEMENTING THE FOUNDATIONS FOR SUSTAINABLE GROWTH

At the same time as making investments based on our growth strategy, we are also progressing with strengthening our risk management structures.

The Group has developed a hall network across 46 prefectures throughout Japan. In order for us to continue to grow over the long term, we must respond flexibly to both sides of operational risk: risk control (countermeasures before risks materialize) and risk finance (capital allowances to cover losses in the event risks do materialize). Because of this, we have deployed over 100 personnel into our legal, risk management, and internal audit divisions. By doing this, we have created a framework to eliminate risks before they occur, check and audit potential risk factors, restrain expansion of damage when crises occur, and quickly execute measures to prevent recurrence.

In the year ended 31 March 2015, Dynam changed our existing commitment line contracts with two of Japan's megabanks, Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation, into disaster-response commitment lines. By doing this, we have established a framework to quickly access capital in the event of a major disaster.

We intend to use these ways to strengthen risk management structures so as to build long-term relationships of trust with all of our stakeholders.

FOCUSING ON RECRUITMENT AND DEVELOPMENT OF HUMAN RESOURCES TO SUPPORT OUR CHAIN-STORE MANAGEMENT

Our personnel, who do a fabulous job in each of their respective positions, are an important management resource in terms of supporting our chain-store management. Because of this, we have continually recruited mainly new university graduates as management candidates since 1989, and we welcomed 215 new employees into the overall Group in the year ended 31 March 2015.

In terms of training and developing these employees, we implement diverse training programs depending on level and purpose, including on-the-job training in our halls, in order to foster the skills and expertise needed for our chain-store management. We also proactively promote the recruitment of female employees, and we regularly run training programs aimed at developing female management and executive personnel that will become role models to motivate our female workforce.

PROMOTING ACTIONS TOWARD NEW BUSINESS OPPORTUNITIES SURROUNDING INTEGRATED RESORTS

With the Olympic Games scheduled to be held in Tokyo in 2020, deliberations in the regarding legislation to enable the development of integrated resorts including lifting of prohibition of casinos is attracting attention from both within Japan and overseas.

Given this situation, the Group is implementing measures including partnering with casino operators in order to accumulate business expertise. We are also collecting information and conducting investigations through operations both in Japan and overseas. Going forward, we intend to continue to promote these kinds of actions to search for new business possibilities.

OPERATING TOGETHER WITH LOCAL COMMUNITIES, FOR LOCAL COMMUNITIES

Pachinko is an established part of local communities as one of the most popular pastimes in Japan.

Nevertheless, the Group has developed 393 halls in 46 prefectures throughout Japan. In order for us to continue to grow over the long term, it is important to further deepen our relationships with local communities. We simply would not be able to operate our businesses without the relationships of trust that we have with the owners of land and local residents where we open our halls.

Because of this, we participate proactively in local events and beautification activities in all of the regions in which we operate throughout Japan as well as continuing our charitable activities. As a group that pursues genuine public entertainment, the Group intends to continue to be accepted as a member of the communities in which we operate by conducting these kinds of activities on a day-to-day basis with a long-term perspective.

The Group will continue to cultivate trust and dreams in line with our corporate philosophy, and step up to the challenge of achieving sustainable profit growth. And we will do this together with our shareholders, investors, partner financial institutions, landowners and local communities, as well as each and every one of our employees and trading partners including our gaming machine manufacturers.

We thank you most sincerely for your ongoing cooperation and understanding of our businesses.

Chairman
Yoji Sato

Executive Director and Chief Executive Officer
Kohei Sato

28 May 2015

Biographies of
Directors and Senior Management

Executive Director

Executive Director, chairman of the Board

Mr. Yoji SATO

佐藤洋治

Age 69

Mr. Sato was appointed as our executive Director with effect from 20 September 2011, the date of incorporation of the Company. He is also the chairman of our Board and a member of our Remuneration Committee and Nomination Committee. Mr. Sato is primarily responsible for the Group's overall strategic planning and the management of the Group's business operations. He is also a representative director (*daihyo torishimariyaku* 代表取締役) and president of Shinrainomori and a representative director of Shinrainomori Association.

Having raised in Japan, Mr. Sato joined the Group in January 1970 and since then, he has been instrumental in our business expansion and has developed the Group from a small-scale operation with two pachinko halls in Tokyo to the second largest pachinko halls operator with a chain store operation of 393 pachinko halls in 46 prefectures across Japan as at 31 March 2015. Mr. Sato has spent over four decades with the Group, during which he obtained extensive experience in the management and operation of pachinko halls, corporate governance, strategic planning and financial management. The success of the Group and his personal attributes earned him wide recognition as a leading figure and pioneer in the pachinko industry in Japan. Mr. Sato is an advisor of the Pachinko Chain Stores Association (パチンコ•チェーンストア協会). The Pachinko Chain Stores Association is one of the leading industry organisations in the pachinko industry of Japan, promoting pachinko as a mean of entertainment and leisure among the general public in Japan.

Mr. Sato was a director, the chairman of the board of directors and chief executive officer (*daihyo shikkoyaku* 代表執行役) of Dynam Holdings between March 2007 and September 2011. He resigned from these positions following the incorporation of the Company. Save for being a controlling shareholder of Dynam Holdings, Mr. Sato had no on-going executive or non-executive roles in Dynam Holdings. Mr. Sato is one of our Controlling Shareholders. Together with Rich-O and the Sato Family Members. Mr. Sato is interested in approximately 62.18% of our entire issued share capital.

Mr. Sato graduated from Waseda University in March 1968 with a bachelor's degree in commerce.

Save as disclosed herein, Mr. Sato has not been a director of any public company the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

Mr. Sato is the elder brother of Mr. Kohei SATO, the Chief Executive Officer of the Company.

Executive Director and Chief Executive Officer

Mr. Kohei SATO

佐藤公平

Age 60

Mr. Kohei SATO was appointed as our Chief Executive Officer in January 2013. Also, Mr. Kohei SATO was appointed as our executive Director on 26 June 2014.

Mr. Kohei SATO is the representative director (*daihyo torishimariyaku* 代表取締役) and president of Dynam, our wholly-owned subsidiary since June 2000. He is primarily responsible for overseeing the operation of our pachinko halls and the overall management and development of our *DYNAM* (ダイナム) brand as a leading chain operation of pachinko halls in Japan. He is also a director of Shinrainomori Association.

Mr. Kohei SATO joined Dynam in June 1995. He spent the majority of his career at Dynam and has held several senior management positions across different departments in Dynam. Between 1995 and 2000, he headed the corporate planning office and the sales department of Dynam, until he was appointed representative director (*daihyo torishimariyaku* 代表取締役) in June 2000. With his previous and current positions within Dynam, Mr. Kohei SATO has accumulated around 18 years' experience in the pachinko industry.

Prior to joining our Group, Mr. Kohei SATO worked for Takeda Riken Industry Co., Ltd. (currently known as Advantest Corporation), a large-scale semi-conductor manufacturer, the shares of which are listed on the New York Stock Exchange (NYSE: ATE). In June 1985, he joined Kodak Co., Ltd., a subsidiary of Eastman Kodak Co., the shares of which were listed of the New York Stock Exchange (NYSE: EK).

Mr. Kohei SATO graduated from Tokyo University of Agriculture and Technology in March 1980 with a bachelor's degree in engineering. He received a master's degree in mechanical engineering from Tennessee Technological University in August 1982.

Mr. Kohei SATO is the younger brother of Mr. Sato. He is a Sato Family Member and a Controlling Shareholder.

In the latest three years, Mr. Kohei SATO has not been a director of any public company the securities of which are listed on the securities market in Hong Kong or overseas.

Biographies of
Directors and Senior Management

Non-executive Director

Non-executive Director

Mr. Noriaki USHIJIMA

牛島憲明

Age 65

Mr. Ushijima was appointed as our outside Director (*shagai torishimariyaku* 社外取締役) with effect from 20 September 2011, the date of incorporation of the Company. Mr. Ushijima was re-appointed to the same position on 20 June 2012, 25 June 2013 and 26 June 2014.

Mr. Ushijima has over 30 years' experience serving at the Tokyo Stock Exchange. He has held several senior positions at the Tokyo Stock Exchange between April 1973 and June 2004 and has substantial knowledge in the regulatory regime of securities products. Between June 2002 and May 2004, Mr. Ushijima assumed the position of general manager in the listing inspection department and derivatives department of the Tokyo Stock Exchange. In June 2004, he assumed the positions of director and executive officer at Jasdaq Securities Exchange, Inc. As a member of the senior management of Jasdaq Securities Exchange, Inc., Mr. Ushijima has substantial experience in compliance and securities matters in Japan. Mr. Ushijima left Jasdaq Securities Exchange, Inc. in November 2006 and founded the Noriaki Ushijima Office in December 2006, providing business consulting services from its office in Tokyo.

Since March 2008, Mr. Ushijima was an outside director (*shagai torishimariyaku* 社外取締役) and a member of the audit committee of Dynam Holdings. He has resigned from these positions following the incorporation of the Company.

Mr. Ushijima graduated from Chuo University in March 1973 with a bachelor's degree in economics.

Mr. Ushijima has not been a director of any public company, the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

Independent non-executive Directors

Our independent non-executive Directors were appointed as outside Directors (*shagai torishimariyaku* 社外取締役) on the date of the incorporation of the Company. “Outside director” has a different meaning under the Companies Act when compared with the meaning of “independent non-executive director” under the Listing Rules. The 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.

Independent non-executive Director

Independent non-executive Director

Mr. Katsuhide HORIBA

堀場勝英

Age 71

Mr. Horiba was appointed as our outside Director (*shagai torishimariyaku* 社外取締役) with effect from 20 September 2011, the date of incorporation of the Company. He is also the chairman of our Nomination Committee and Remuneration Committee. Mr. Horiba was re-appointed to the same position on 20 June 2012, 25 June 2013 and 26 June 2014.

Mr. Horiba began his career in April 1968 at Daiei Inc., a large-scale supermarket-chain in Japan, the shares of which are listed on the Tokyo Stock Exchange (TSE: 8263), where he once held the position of director and divisional manager of its accounting department. Subsequently, Mr. Horiba joined the Daiei OMC, Inc. (currently known as Cedyna Financial Corp), a provider of consumer credit card services, the shares of which were listed on the Tokyo Stock Exchange, where he served as a senior managing director. Subsequently, Mr. Horiba has also worked from 2001 as a senior managing director and a general manager of group finance at Aiful Corporation, a large-scale consumer finance company, the shares of which are listed on the Tokyo Stock Exchange (TSE: 8515). With his previous positions in a number of public companies in Japan, Mr. Horiba is fully experienced in general corporate management.

Since October 2006, Mr. Horiba had been an outside director of Dynam Holdings (*shagai torishimariyaku* 社外取締役). In March 2007, he was also appointed as the chairman of the nomination committee and a member of the remuneration committee of Dynam Holdings. Following the incorporation of the Company, Mr. Horiba resigned from all positions he held within Dynam Holdings.

Mr. Horiba graduated from Keio University in March 1968 with a bachelor’s degree in commerce.

Mr. Horiba has not been a director of any public company the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

Biographies of
Directors and Senior Management

Independent non-executive Director

Independent non-executive Director

Mr. Ichiro TAKANO

高野一郎

Age 59

Mr. Takano was appointed as our outside Director (*shagai torishimariyaku* 社外取締役) with effect from 20 September 2011, the date of incorporation of the Company. He is also the chairman of our Audit Committee. Mr. Takano was re-appointed to the same position on 20 June 2012, 25 June 2013 and 26 June 2014.

Mr. Takano is currently a partner of Takano Law Offices, a legal practice firm based in Minato district (港区), Tokyo. He is also a statutory auditor (*kansayaku* 監査役) of Hikari Tsushin Inc., a supplier of mobile phones and office equipment, the shares of which are listed on the Tokyo Stock Exchange (TSE: 9435). Prior to his current positions, Mr. Takano had substantial experience in handling compliance matters under the Companies Act at a number of law firms in Tokyo, Japan between 1987 and 2005. He has obtained over 28 years' experience practicing as an attorney-at-law (*bengoshi* 弁護士) in Japan. Mr. Takano graduated from Waseda University in March 1980 with a bachelor's degree in law. He was admitted as an attorney-at-law in Japan in 1987.

Mr. Takano was appointed as an outside statutory auditor (*shagai kansayaku* 社外監査役) of Dynam Holdings in October 2006. In March 2007, Dynam Holdings underwent a restructuring in its corporate governance regime and Mr. Takano was re-designated as an outside director (*shagai torishimariyaku* 社外取締役) and a member of the audit committee of Dynam Holdings. Following the incorporation of the Company, Mr. Takano resigned from all positions he held within Dynam Holdings.

Mr. Takano has not been a director of any public company, the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

Mr. Takano was an outside director (*shagai torishimariyaku* 社外取締役) of Dynam Holdings between 29 March 2007 and 20 September 2011. Our Directors are of the view that this position does not affect Mr. Takano's independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by our Japan Legal Adviser, Soga Law Office, Mr. Takano, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to carry out any executive function in Dynam Holdings under the Companies Act; and (ii) Mr. Takano is independent of the Company, Directors, Chief Executive Officer of the Company, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Independent non-executive Director

Mr. Yukio YOSHIDA

吉田行雄

Age 69

Mr. Yoshida was appointed as our outside Director (*shagai torishimariyaku* 社外取締役) with effect from 20 September 2011, the date of incorporation of the Company. He is also a member of our Audit Committee. Mr. Yoshida was re-appointed to the same position on 20 June 2012, 25 June 2013 and 26 June 2014.

Mr. Yoshida is an expert in the field of tax accounting. He is currently a founder of Yoshida Tax Accounting Office, a tax accounting practice based in Chiyoda district (千代田区), Tokyo. He began his career at Sapporo National Tax Agency in 1965. Subsequently, Mr. Yoshida became the deputy head of Fujisawa Tax Agency after serving as the assistant manager in the office of rulings and legal affairs at the National Tax Administration Agency. He was then appointed as an judicial research official by the court such as the Tokyo District Court and the Nagoya High Court, and later became a director of Yokohama National Tax Agency between 2004 and 2005. With his previous positions held within various national tax agencies across Japan, Mr. Yoshida has accumulated around 37 years' experience in tax accounting.

Mr. Yoshida is an active academic. He was named a professor of the National Tax College in July 1998 and as a visiting professor of the Economics Department of Toyo University in April 2006.

Since June 2008, Mr. Yoshida was an outside director (*shagai torishimariyaku* 社外取締役) and a member of the audit committee of Dynam Holdings. Following the incorporation of the Company, Mr. Yoshida resigned from all positions he held within Dynam Holdings.

Mr. Yoshida graduated from Fuji Junior College (currently known as Tokyo Fuji University Junior College) in March 1971 with associate degree in economics. Mr. Yoshida is a certified public tax accountant (*zeirishi* 税理士) recognised by Japan Federation of Certified Public Tax Accountants' Association.

Mr. Yoshida has not been a director of any public company, the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

Mr. Yoshida was an outside director (*shagai torishimariyaku* 社外取締役) of Dynam Holdings between 27 June 2008 and 20 September 2011. Our Directors are of the view that this position does not affect Mr. Yoshida's independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by our Japan Legal Adviser, Soga Law Office, Mr. Yoshida, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to carry any executive function in Dynam Holdings under the Companies Act; and (ii) Mr. Yoshida is independent of the Company, Directors, Chief Executive Officer of the Company, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Biographies of
Directors and Senior Management

Independent non-executive Director

Mr. Mitsutoshi KATO

加藤光利

Age 57

Mr. Kato was appointed as our independent non-executive Director with effect from 29 February 2012. He is also a member of our Nomination Committee and Remuneration Committee. Mr. Kato was re-appointed to the same position on 20 June 2012, 25 June 2013 and 26 June 2014.

Mr. Kato has over 20 years' experience in the banking and financial industry in Japan, Hong Kong, the PRC and Europe. He began his career at The Bank of Tokyo Ltd. (currently known as The Bank of Tokyo Mitsubishi UFJ Ltd.) in April 1982. In April 1988, he was seconded to Kincheng-Tokyo Finance Company Limited as manager for a period of two years until February 1990, when he joined Banque Indosuez (currently known as Credit Agricole Corporate and Investment Bank). Mr. Kato had since then held various positions at the Tokyo branch of Credit Agricole Indosuez, including the assistant branch manager of the corporate finance department and the head of the project & structured finance department. He left Credit Agricole CIB in August 2005, and is currently representative director and chief financial officer of Eco-Material Corporation, a Sino-Japanese clean technology venture in Japan. Mr. Kato graduated from the State University of New York at Stony Brook with a bachelor's degree in arts, major in political science in May 1980.

Mr. Kato has not been a director of any public company, the securities of which are listed on the securities market in Hong Kong or overseas in the latest three years.

Independent non-executive Director

Mr. Thomas Chun Kee YIP

葉振基

Age 54

Mr. Yip was appointed as our independent non-executive Director on 29 February 2012. He is also a member of our Audit Committee. Mr. Yip was re-appointed to the same position on 20 June 2012, 25 June 2013 and 26 June 2014.

Mr. Yip has obtained around 29 years' experience in accounting, auditing and financial reporting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. He is also a member of the Society of Chinese Accountants and Auditors, an associate of The Taxation Institute of Hong Kong and a certified tax advisor in Hong Kong.

Mr. Yip began his professional career in accounting at Touche Ross & Co. Hong Kong, the predecessor of Deloitte Touche Tohmatsu in May 1984. In January 1986, he moved to Sydney and served as a senior accountant at Price Waterhouse Sydney. Mr. Yip returned to Hong Kong in December 1988 and joined the Hong Kong office of Price Waterhouse, where he spent around five years before being promoted to senior manager, audit in July 1994. Mr. Yip left the firm in December 2001 and continued his career as a principal and subsequently as a director at CCIF CPA Limited. In March 2008, he assumed his current position as a practising director of AIP Partners C.P.A. Limited, where he specializes in providing auditing, tax and accounting advice to Japanese clients.

Mr. Yip graduated from the University of Sydney with a bachelor's degree in economics in April 1984. With his current and previous positions in AIP Partners C.P.A. Limited and other professional accounting firms, our Directors are of the view that Mr. Yip possesses the appropriate professional qualifications and accounting and financial management expertise in compliance with Rule 3.10(2) of the Listing Rules. Our Directors confirm that, during the one year immediately prior to Mr. Yip's appointment as an independent non-executive Director of our Company, AIP Partners C.P.A. Limited has not been providing professional services to our Company, members of our Group, our Controlling Shareholders, or any of their respective associates. In the latest three years, Mr. Yip has not been a director of a public company the securities of which are listed on the securities market in Hong Kong or overseas.

Biographies of **Directors and Senior Management**

Senior Management

Executive Officers

The Company is required to appoint a minimum of one Executive Officer, comprising one Chief Executive Officer (*daihyo shikkoyaku* 代表執行役). Under the Companies Act, our Chief Executive Officer (*daihyo shikkoyaku* 代表執行役) is the legal representative of the Company with the authority to sign and effect agreements on behalf of the Company.

Our Executive Officers are key members of our senior management. Unlike our Directors, who are chiefly responsible for formulating business strategies and supervising our business strategies, our Executive Officers directly manage the day-to-day operation of the Group and implement the business strategies devised by the Directors. Pursuant to the Articles of Incorporation, our Executive Officers, including our Chief Executive Officer (*daihyo shikkoyaku* 代表執行役), are elected and appointed by way of Board resolutions and are under the direct supervision of the Directors.

In addition to our Chief Executive Officers, the Company has five Executive Officers. The 5 Executive Officers are not Directors and not engaged in decision-making on material matters that are required to be resolved at a meeting of the Board under the Companies Act or our Articles of Incorporation.

Below are the biographies of our Executive Officers:

Executive Director and Chief Executive Officer

Mr. Kohei SATO

佐藤公平

Age 60

The biographies of Mr. Kohei SATO is provided on page 19 of this Annual Report.

Senior Management

Executive Officer

Mr. Haruhiko MORI

森治彦

Age 62

Mr. Mori is a director of Dynam, our wholly-owned subsidiary, since 26 June 2007. He is primarily responsible in matters related to legal compliance, risk management, internal control and auditing of the Group and is the head of our internal control committee. Mr. Mori is also a member of our management strategy meeting.

Mr. Mori joined the Group in November 1998 initially in the general affairs department of Dynam. In August 2000, Mr. Mori was appointed as the head of legal department in Dynam and became chiefly responsible for legal compliance, risk management and internal control of our pachinko halls operations. In June 2002, he was promoted to executive officer (*shikko yakuin* 執行役員) of Dynam. His current position as a director of Dynam came in June 2007.

Mr. Mori graduated from Senshu University in March 1984 with a bachelor's degree in law.

Mr. Mori spent over eight years in various law firms in Tokyo, specialising in compliance with the Companies Act.

In the latest three years, Mr. Mori has not been a director of any public company, the securities of which are listed on the securities market in Hong Kong or overseas.

Biographies of **Directors and Senior Management**

Senior Management

Executive Officer

Mr. Makoto SAKAMOTO

坂本誠

Age 58

Mr. Sakamoto has been a director of Dynam, our wholly-owned subsidiary, since June 2011. He is in charge of our human resource management and is also a member of our management strategy meeting.

Mr. Sakamoto began his career in Daiei Inc., a large-scale supermarket-chain in Japan, the shares of which are listed on the Tokyo Stock Exchange (TSE: 8263) upon his graduation. Between September 2000 and October 2002, he worked for Big Boy Japan Co., Ltd. Thereafter, he joined Central Services System Co., Ltd in November 2002 until he left to work for Japan Sportsvision Co., Ltd from May 2003 to November 2003.

Mr. Sakamoto joined the Group in February 2004. He was promoted to the manager of the personnel department of Dynam in September 2005, a position he currently holds along with his other duties within the Group. In September 2006, he was promoted to executive officer (*shikko yakuin* 執行役員) of Dynam. With his current and previous positions held within the Group and other institutions, Mr. Sakamoto is experienced within the field of human resources management.

Mr. Sakamoto graduated from Waseda University in March 1980 with a bachelor's degree in social sciences.

In the latest three years, Mr. Sakamoto has not been a director of any public company, the securities of which are listed on the securities market in Hong Kong or overseas.

Executive Officer

Mr. Shizuo OKAYASU

岡安静夫

Age 58

Mr. Okayasu was appointed as our Executive Officer with effect from 1 January 2012. He is primarily responsible for the day-to-day management of our operations.

Mr. Okayasu joined the Group in November 2004 as a manager of the general affairs department of Dynam. Since then, he has been substantially involved in the management and operations of Dynam and other operating subsidiaries of the Group and has detailed knowledge in our business. In September 2006, he was appointed as an executive officer (*shikko yakuin* 執行役員) of Dynam and concurrently served as a general manager of its general affairs department. Subsequently, Mr. Okayasu was transferred internally to Dynam Holdings as a general manager of its corporate planning and strategy department, a position he resigned from on 20 September 2011, the date of incorporation of the Company. He served as a general manager of our corporate planning and strategy department prior to his current appointment as our Executive Officer.

Mr. Okayasu spent 28 years at Sumitomo Mitsui Banking Corporation between April 1980 and October 2008. During that period, he served in various positions at a number of branches in Tokyo and also at the head office. Mr. Okayasu graduated from Rikkyo University in March 1980 with a bachelor's degree in sociology.

In the latest three years, Mr. Okayasu has not been a director of any public company, the securities of which are listed on the securities market in Hong Kong or overseas.

Biographies of
Directors and Senior Management

Senior Management

Executive Officer

Mr. Yoshiyuki MIZUTANI

水谷義之

Age 58

Mr. Mizutani was appointed as our Executive Officer with effect from 1 November 2012 and mainly in charge of finance and accounting.

Mr. Mizutani has 34 years' experience in the field of finance and accounting. Since he entered Daiei Inc., a large-scale supermarket-chain in Japan, he has been consistently engaged in accounting and financing affairs and developed his career as a general manager of accounting at Daiei Inc.. Subsequently, Mr. Mizutani joined Life Card Co., Ltd., a provider of consumer credit card services and a subsidiary of Aiful Corporation, the shares of which are listed on the Tokyo Stock Exchange (TSE: 8515), where he served as a director and general manager of finance.

In the latest three years, Mr. Mizutani has not been a director of any public company, the securities of which are listed on the securities market in Hong Kong or overseas.

Executive Officer

Mr. Hisao KATSUTA

勝田久男

Age 63

Mr. Katsuta was appointed as our Executive Officer with effect from 1 February 2012.

Mr. Katsuta has considerable knowledge and 27 years' experience in corporate management, securities and corporate finance. Upon his graduation in March 1974, he joined Oji Paper Co., Ltd. at its Tomakomai Paper Mill.

Mr. Katsuta spent 26 years at the Daiwa Securities Group, beginning in Daiwa Securities Co., Ltd. in June 1985. He held several senior positions at various entities within the Daiwa Securities Group, including the resident director of the Silicon Valley office of the Daiwa Institute of Research and the managing director of Daiwa Institute of Research (Hong Kong) Ltd.. During this period, Mr. Katsuta's career endeavours have taken him to different appointments within the financial industry in Japan, Hong Kong and the United States. Prior to joining our Group, Mr. Katsuta was the managing director of Daiwa Corporate Investment Asia Limited.

Mr. Katsuta graduated from the University of Tokyo with a bachelor's degree in arts in March 1974. He obtained a master's degree in business administration from Columbia University in May 1980.

He is qualified as a class one sales representative recognised by Japan Securities Dealers Association* (日本証券業協會).

In the latest three years, Mr. Katsuta has not been a director of any public company, the securities of which are listed on the securities market in Hong Kong or overseas.

Business **Overview**

Chain-store Management and Group Growth Strategy

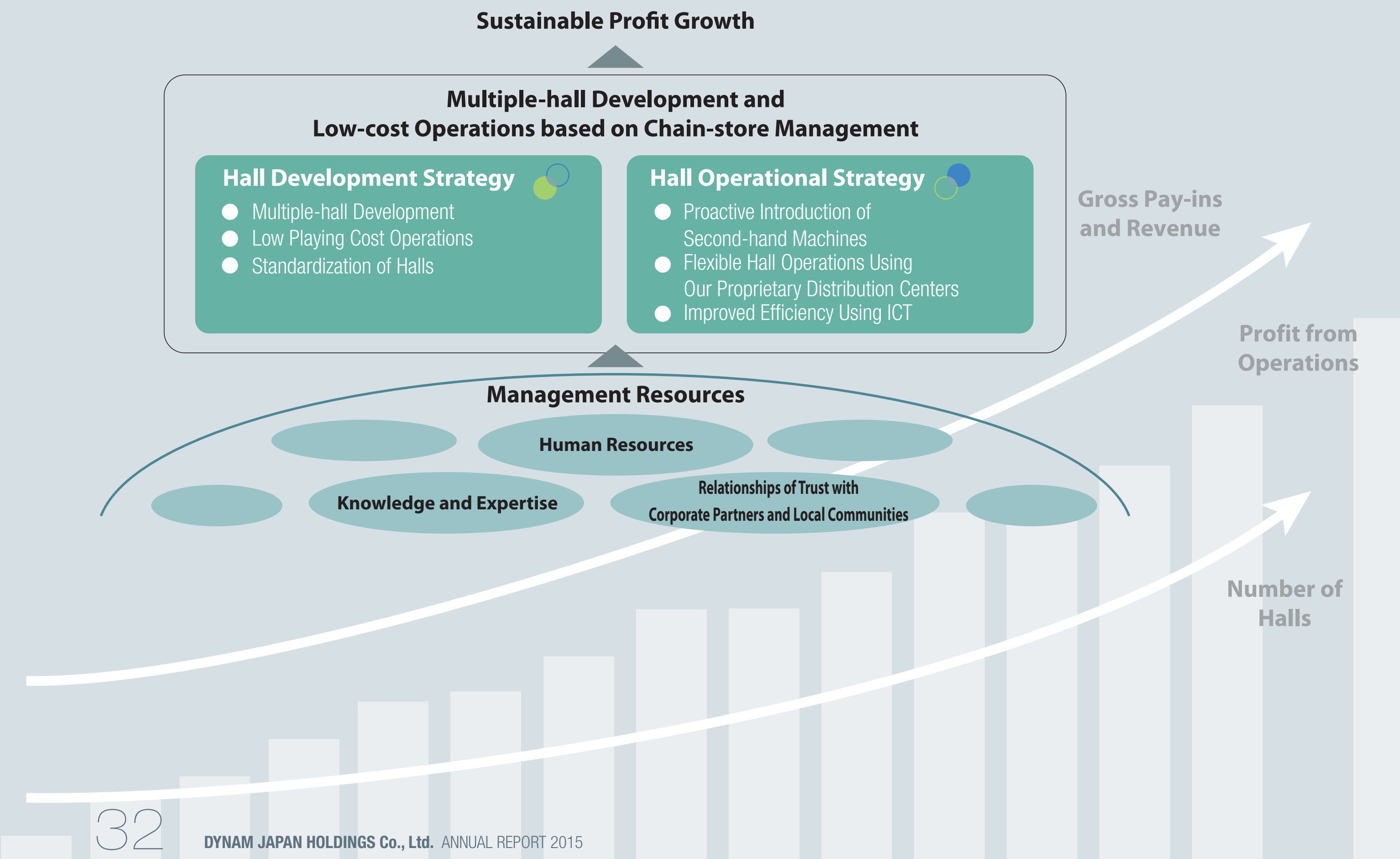
The pachinko industry represents a massive domestic market in Japan. The 2014 *Leisure White Paper* published by the Japan Productivity Center estimates the size of the pachinko and pachislot industry to be ¥18.8 trillion. Further, according to research conducted by the Pachinko Trustee Board, the pachinko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

In this environment, the Group holds the No.1 position in the industry in terms of hall numbers. We aim for sustainable profit growth over the long term by taking maximum advantage of the economies of scale of multiple-hall development based on our chain-store management. The Group is proactively promoting low playing cost games through multiple halls as the pillar of our growth strategy. Low playing cost games reduce costs to users by setting ¥1-per-ball and ¥5-per-token games (as opposed to conventional ¥4-per-ball and ¥20-per-token games) to enable customers to have enjoyment without imposing a significant cost burden on them, and these games are also increasing in popularity with other pachinko companies. Nevertheless, while low playing cost games lead to increased customer numbers and visit frequency as well as acquisition of a new customer base, there is also a risk of decreased profitability at pachinko halls. Because of this, innovation and expertise are essential in the promotion of low cost playing games from new hall development to hall operations, and the Group is taking advantage of our position as an operator that drives economies of scale through actions such as the purchase of gaming machines and general prizes through our multiple-hall model.

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

The human resources, knowledge and expertise of the Group and the relationships of trust we have with our corporate partners and local communities support these strategies, and these management resources are the source of our medium to long-term growth.

Going forward, the Group will continue to pursue low-cost operations by executing chain-store management and aim to realize sustainable growth in profitability from a long-term perspective.



Low-cost Operations and Business Foundations

Hall Development Strategy

Based on our theory of chain-store operations, we have standardized development of new halls, and we are taking actions focusing on developing low playing cost halls. We aim to realize the benefits of economies of scale through standardized multiple-hall development, and steadily increase revenue and profit while reducing the risk of profit decline from low playing cost games.

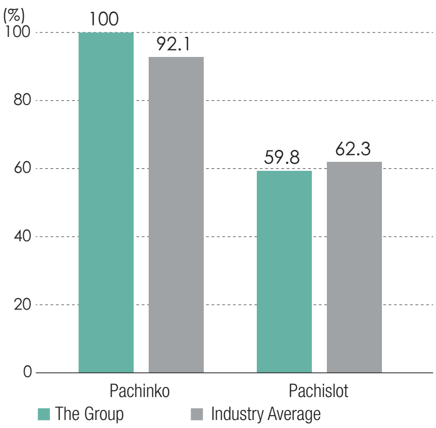
Shift to Low Playing Cost Games

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

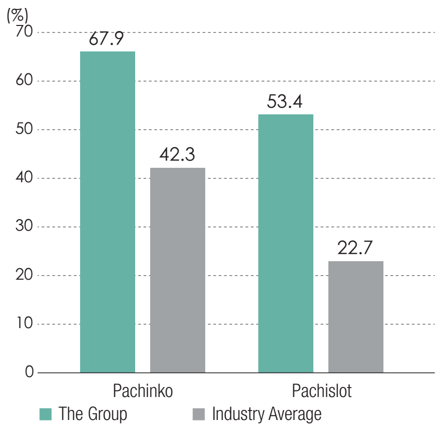
However, as there is a risk of declining hall profitability in these kinds of low paying cost games, it is essential to use innovation and expertise to enable the promotion of low-cost operations. The Group drives economies of scale through our multiple-hall development, and we are building systems to steadily accumulate profit even with low playing cost games. The national average of low playing cost machines is 42.3%; however, the Group has developed this to 67.9% as of 31 December 2014, and we have developed the proportion of halls that feature low playing cost machines to 100%, or all of our halls.

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

Proportion of Halls Featuring Low Playing Cost Machines



Proportion of Low Playing Cost Machines to Total Number of Machines



As of 31 December 2014
Source: P-World Insights Corporation

* 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**

Operation of Two Hall Types Centered on Low Playing Cost Games

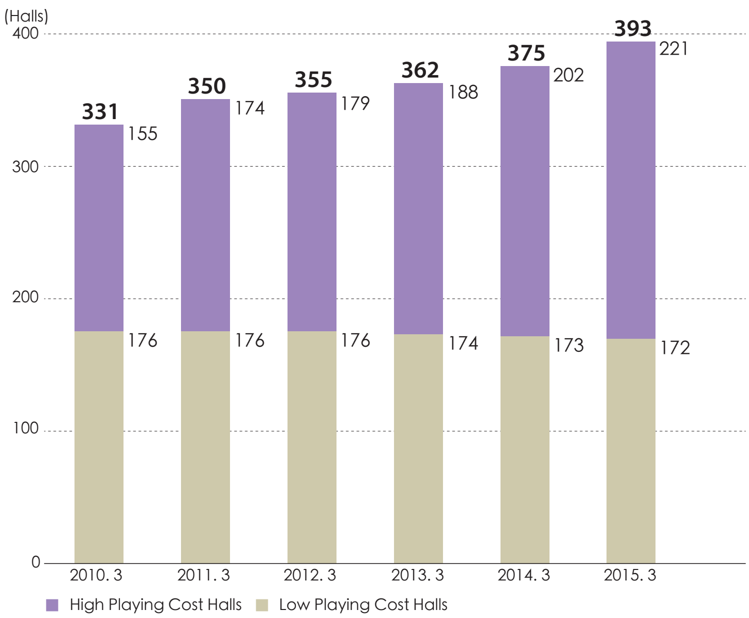
The Group operates two types of halls with different gaming costs, centered on promoting low playing cost games.

In the year ended 31 March 2015, we opened 1 new high playing cost hall and 18 new low playing cost halls. We also converted 2 high playing cost halls to low playing cost halls and closed 1 low playing cost hall after taking into account of the trading areas. This resulted in a total number of 393 halls as of 31 March 2015. By hall type, we operate 172 high playing cost halls and 221 low playing cost halls, with low playing cost halls making up the majority at 56% of the total.

As of 31 March 2014: 375 halls	New Halls: 19 halls	High playing cost halls (DYNAM): 1 hall Low playing cost halls (*Yuttari kan*): 18 halls	**As of 31 March 2015: 393 halls**
	Conversions of Hall Types	High playing cost halls (DYNAM) → Low playing cost halls (*Yuttari kan*) 2 halls	

Hall Type	Main Hall Brands	Characteristics	Number of Halls
High playing cost halls	DYNAM	The majority of machines are high playing cost machines and smoking is allowed in the halls. This includes two Cabin Plaza halls.	172
Low playing cost halls	DYNAM *Yuttari kan* DYNAM *Shinrai no Mori*	Mainly low playing cost machines and a wider selection of general prizes. This includes *Yuttari Kan*, where smoking is allowed in the halls, *Shinrai no Mori*, where smoking is not allowed except in designated areas, and seven Cabin Plaza halls.	221

Changes in Hall Numbers by Type



Standardization and Multiple-Hall Development

As the industry leader in terms of hall numbers, we are taking actions in multiple-hall development through the establishment of new halls. With our efforts to establish new halls, we are standardizing hall types and controlling start-up costs by focusing on highly populated regions where we can minimize rent expenses. We are also taking advantage of the economies of scale in multiple-hall development to constrain the purchase costs of gaming machines and general prizes when establishing new halls.

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

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

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

Standardized installation of 480 gaming machines

We use a common interior layout for our pachinko and pachislot halls based on standardized gaming machine numbers of 480 machines. This enables us to reduce initial investment costs in areas such as building expenses and construction lead times.

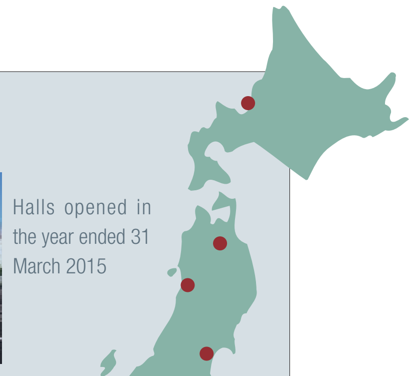
20-year leases and standardized wood construction

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

TOPICS

Nineteen New Halls Throughout Japan

The Group is continuing to open new halls in line with our growth strategy. We opened 19 new halls in the year ended 31 March 2015, which is a new record since our listing.
In addition to selecting multiple potential sites for new halls and narrowing these down based on the Group’s hall development criteria, we require significant time in negotiation and conclusion of contracts such as careful explanation of leasing rates and contract periods with the owners of land where we use for new halls. Our sustained efforts in these areas resulted in 19 new halls.



Halls opened in the year ended 31 March 2015

Business **Overview**

Hall Operational Strategy

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

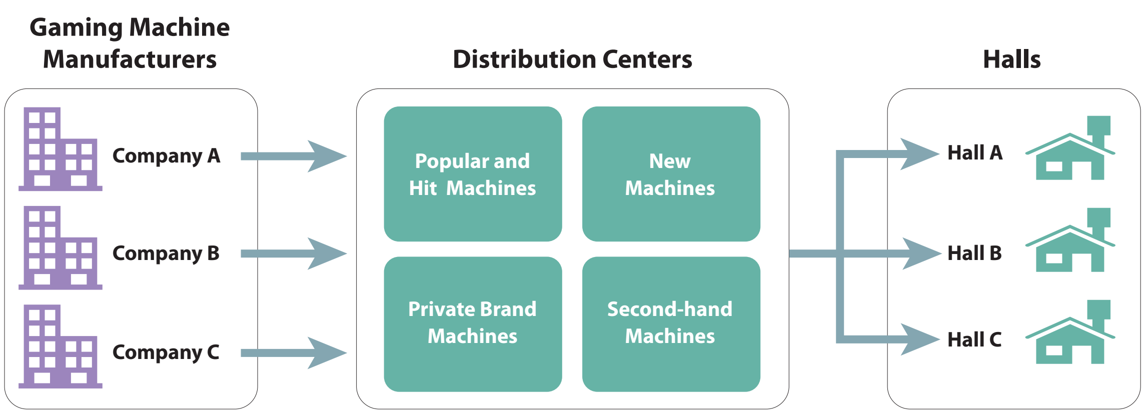
Managing Gaming Machine Procurement Costs by Maximizing Use of Second-hand Machines

As the cost of gaming machines continues to rise each year on the back of skyrocketing development and component costs, the Group is working proactively to install second-hand gaming machines in our halls. We aim to reduce hall operation expenses by controlling machine costs (costs related to the procurement of gaming machines) through measures including installing not only popular, hit and new machines but also second-hand machines, which we can source at lower cost, and using distribution centers operated by the Group to transport and relocate machines among halls. Out of the gaming machines purchased by the Group in the year ended 31 March, 2015, 26.9% were second-hand machines. We are also proactively deploying private brand machines for future development.

For the development and introduction of private brand machines, we are building a framework that enables the use of information obtained from the Group customer membership system to match customer preferences and consider unique specifications that customers are unable to experience at other halls. We commit to fixed volumes in a single order to machine manufacturers, resulting in a reduction in costs compared to the average market price for national brand machines.

The Group intends to continue using second-hand machines to further rationalize hall operating expenses as well as moving forward with development and introduction of private brand machines.

Optimization of Costs through Private Brand and Second-hand Machines



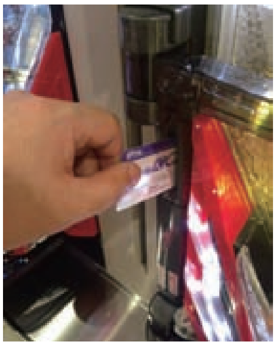
Using Distribution Centers for Flexible Hall Operations

As a group that operates halls on a nationwide scale, we have established 16 distribution centers around the country, each covering 20 to 30 halls for each region. By consolidating transportation of gaming machines among the halls covered by each center, we reduce costs related to transportation as well as realizing flexible hall operations including tailoring changes to machine line-ups depending on customer needs.

Making Strategic Use of Information Technology Systems

We have been progressively introducing Individual Ball Counter System 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.

In addition to the ball counter systems, we are also building various information technology systems such as hall management systems, machine management systems and prize management systems. By strategically promoting use of information technology systems, we are taking actions to improve operational efficiency and reduce costs in areas including formulating hall operating and marketing strategy, human resources and accounting.



Benefits of the Individual Ball Counter System

Customers	→	No need to stack and carry balls and tokens
Hall Staff	→	Reduction in work volume and working hours
Hall Operations	→	Improvement in personnel productivity and reduction in personnel expenses

TOPICS

Promoting Hall Renewal to Carefully Capture Changing Customer Needs

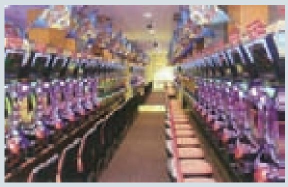
Machine utilization has been trending downward in the overall pachinko industry in recent years. For the Group, this trend stands out particularly at older high playing cost halls.

Given this trend, we conducted large-scale hall renewal at 40 of our halls in the second half of the year ended 31 March 2015 in order to improve hall operations. By improving the attractiveness of our halls through changing the gaming machine mix as well as refurbishing hall exterior finishing and facilities, we have been able to shift the current trend in machine utilization toward growth.

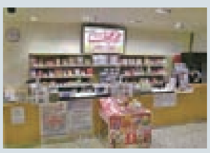
Going forward, we intend to maintain our origin in prioritizing customers in our hall operation.

Hall Exterior

Hall Facilities



Prizes



Investing Group Management Resources to Support Our Chain-store Management

The management resources that support our chain-store management include our diverse human resources, knowledge and expertise, and pursuit of a wide range of activities to enhance and strengthen our relationships of trust with corporate partners and regional society.

Maintaining a Sound Financial Position

The Group firmly maintains sound management by steadily accumulating profit and through our strong financial position. Further, when considering new hall development, we have established strict decision-making criteria that limit approval of new developments to only those which we can expect profitability in the future with certainty.

As a result of these measures, financial institutions rate our creditworthiness highly. We have secured loan facilities exceeding ¥60 billion for the overall Group, mainly by establishing commitment lines with some of Japan's major megabanks, which enables flexibility in our funding.

Accumulating Expertise to Enable Efficient and Effective Hall Development

The Group has established a specialized department to be responsible for location development activities associated with establishing new halls. The department selects multiple locations from regional population centers, narrows down these locations based on the Group's hall development criteria, and confirms information that cannot be ascertained from mapping alone by visiting and surveying local sites before we make decisions on hall development locations.

Building up specialist expertise and experience in these ways enables us to develop halls more efficiently and effectively.

Building Strong Relationships with Land Owners and Local Communities

Relationships of trust with stakeholders such as land owners and local communities in the areas where we develop our halls are important elements in the Group's aspirations for sustainable growth.

In the process of negotiating and entering contracts with land owners in relation to hall development, the staff in our specialized department being responsible for location development provide careful and polite explanations regarding the Group's philosophy and details of our business in addition to matters such as rent and contract terms. Further, we participate proactively in regional events and clean-up activities throughout the country, as well as continuously donating to social welfare organizations.

We intend to continue to further strengthen communication with land owners and local communities as important elements in the continuity of our business development.

Communicating Proactively with Suppliers

The Group seeks to operate with a focus on profitability. In order to control sourcing expenses, we take actions to ensure effective communication with suppliers such as gaming machine manufacturers as well as providers of other machinery and equipment and general prizes.

For example, we arrange periodic opportunities to exchange opinions and information with gaming machine manufacturers regarding matters including market trends, machine specifications and content, and post-delivery evaluations. Particularly with the manufacturers of our private brand machines, we engage in regular discussions regarding planning and specifications based on our proprietary analysis data to ensure that we realize development of simple and easy-to-use machines that meet the needs of our customers at a lower price than the average market price for national brand machines.

Educating and Developing Staff through Unique Training Programs

Developing superior human resources with knowledge, skills and experience is essential to the execution of our chain-store management.

The Group commenced development of halls outside the Tokyo Metropolitan area in 1989, and we have been recruiting 200 to 300 staff annually since that time. We recruit mainly new university graduates as candidates for management personnel, and focus our efforts on their training and development. Specifically, we conduct unique training programs depending on the level and objectives of our employees including on-the-job training at halls, group training courses at training facilities, self-development using text books and e-learning, and rotation to work at other halls and the head office so that our employees can gain experience in operations. These actions enable us to enhance improvement in the knowledge and skills needed to execute our chain-store management.

In addition to this kind of practical training and development, we have prepared unique training programs to promote the Group corporate culture. For example, we conduct a program called Jinsei Daigaku (literally meaning life university) for all of our employees after they reach a certain length of service. We create opportunities in this program for our employees to develop widely and richly in human terms through activities such as reading and holding group discussions in an environment including sharing meals and accommodation with other personnel from a diverse range of divisions, positions and ages. Further, the Group has established two large-scale training centers in Japan in order to conduct group training courses.

Through these training and development, our employees working at different positions have achieved our low-cost operations, and we believe that they are one of the key strengths of the Group.

Supporting the Success of Women in the Workplace

20% of our customers are female at present, and the development of halls from a female perspective is becoming increasingly important.

In this environment, the Group proactively promotes the activities of women, and we have established a number of frameworks to support the activities of our female employees. For example, we support the growth and career development of employees aiming to advance their careers by listing internal vacancies and completing self-assessment sheets. We also support employees raising families by reducing working hours, offering parental leave (which may be taken by both male and female employees), and restricting overtime and late-night working hours.

Further, in addition to establishing a mentor program that enables employees to discuss with experienced mentors matters they feel uncomfortable to raise with their supervisors, we also conduct periodic training and development programs to develop future female senior and management employees as role models for female staff under our *Dynam Nadeshiko Project*.

We also plan to raise the proportion of female recruits in the Group to approximately 25%.

Business **Overview**

Collaborating in Overseas Businesses

Business Investment in the Asia Region

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

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

Taking Actions Toward Realization of Integrated Resorts

Searching for New Business Opportunities

After the successful bid to host the 2020 Olympic Games in Tokyo, there has been increasing focus both in Japan and overseas regarding the direction of debate in the Diet over introduction of a bill to promote development of integrated resorts including ending the prohibition of casinos. Realizing integrated resorts is one of the economic policies of the Abe Cabinet, and there are strong expectations for benefits such as promotion of tourism and creation of employment.

The Group is working on collating various information through our operations both in Japan and overseas including Dynam Hong Kong. We intend to continue to search for new business opportunities with a view toward realizing integrated resorts in the future.


ダイナム


ダイナム
P Parking

Financial **Review**

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

	For the year ended 31 March				
	2015		2014		
	(in millions, except for percentages)				
	¥	**HK$(1)**	¥	HK$(2)	changes
Gross pay-ins					
— High playing cost halls	**554,341**	**35,741**	668,586	50,307	-17.1%
— Low playing cost halls	**271,732**	**17,520**	253,586	19,081	+7.2%
Total gross pay-ins	**826,072**	**53,261**	922,172	69,388	-10.4%
Gross payouts					
— High playing cost halls	**463,614**	**29,891**	564,465	42,473	-17.9%
— Low playing cost halls	**207,903**	**13,404**	191,953	14,443	+8.3%
Total gross payouts	**671,516**	**43,296**	756,418	56,916	-11.2%
Revenue					
— High playing cost halls	**90,727**	**5,850**	104,121	7,834	-12.9%
— Low playing cost halls	**63,829**	**4,115**	61,632	4,638	+3.6%
Total revenue	**154,556**	**9,965**	165,754	12,472	-6.8%

(1) Translated into Hong Kong dollars at the rate of ¥15.51 to HK$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

(2) Translated into Hong Kong dollars at the rate of ¥13.29 to HK$1.00, the exchange rate prevailing on 31 March 2014 (i.e. the last business day In March 2014).

GROSS PAY-INS

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

Our gross pay-ins decreased by ¥96,100 million (equivalent to approximately HK$6,196 million), or 10.4%, from ¥922,172 million (equivalent to approximately HK$69,388 million) for the year ended 31 March 2014 to ¥826,072 million (equivalent to approximately HK$53,261 million) for the year ended 31 March 2015.

The utilisation of pachinko machines showed downward trend in the entire industry. It is mainly influenced by increase in consumption tax which was in force from April 2014. With respect to the Company, during the second half of this fiscal year, utilization mainly in our high playing cost halls was in a remarkable downturn year-on-year. Correspondingly, gross pay-ins in our high playing cost halls decreased and as a result, total gross pay-ins were lower than the performance of the previous fiscal year. From January 2015, we implemented measures to improve the utilization in our high playing cost halls including renewal of 40 high playing cost halls. On the other hand, gross pay-ins in our low playing cost halls increased year-on-year through the new hall openings as the outcome of our strategy focusing on low playing cost halls.

High playing cost halls. Gross pay-ins for high playing cost halls decreased by ¥114,245 million (equivalent to approximately HK$7,366 million), or 17.1%, from ¥668,586 million (equivalent to approximately HK$50,307 million) for the year ended 31 March 2014 to ¥554,341 million (equivalent to approximately HK$35,741 million) for the year ended 31 March 2015. The decrease was primarily due to the decrease in utilisation of our high playing cost machines, decreased number of high playing cost machines while increased number of low playing cost machines, and decrease in number of halls associated with conversion of 1 high playing cost hall to a low playing cost hall.

Low playing cost halls. Gross pay-ins for low playing cost halls increased by ¥18,146 million (equivalent to approximately HK$1,170 million), or 7.2%, from ¥253,586 million (equivalent to approximately HK$19,081 million) for the year ended 31 March 2014 to ¥271,732 million (equivalent to approximately HK$17,520 million) for the year ended 31 March 2015. The increase was due primarily to the addition of 19 new halls during the previous fiscal year including conversion of hall types from high playing cost halls to low playing cost halls.

GROSS PAYOUTS

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

Our gross payouts decreased by ¥84,902 million (equivalent to approximately HK$5,474 million), or 11.2%, from ¥756,418 million (equivalent to approximately HK$56,916 million) for the year ended 31 March 2014 to ¥671,516 million (equivalent to approximately HK$43,296 million) for the year ended 31 March 2015.

High playing cost halls. Gross payouts decreased by ¥100,851 million (equivalent to approximately HK$6,502 million), or 17.9%, from ¥564,465 million (equivalent to approximately HK$42,473 million) for the year ended 31 March 2014 to ¥463,614 million (equivalent to approximately HK$29,891 million) for the year ended 31 March 2015, which was in line with the decrease in gross pay-ins.

Low playing cost halls. Gross payouts increased by ¥15,950 million (equivalent to approximately HK$1,028 million), or 8.3%, from ¥191,953 million (equivalent to approximately HK$14,443 million) for the year ended 31 March 2014 to ¥207,903 million (equivalent to approximately HK$13,404 million) for the year ended 31 March 2015. The increase was due primarily to the increase in gross pay-ins as a result of the addition of 19 new halls.

Financial **Review**

REVENUE AND REVENUE MARGIN

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

Our revenue was ¥165,754 million (equivalent to approximately HK$12,472 million) and ¥154,556 million (equivalent to approximately HK$9,965 million) for the years ended 31 March 2014 and 2015 respectively.

During the second half of this fiscal year, utilization mainly in our high playing cost halls showed a remarkable downturn year-on-year, which caused decline of gross pay-ins in high playing cost halls. As a result, total revenue also decreased as compared with the previous fiscal year. On the other hand, revenue in our low playing cost halls increased year-on-year through the new hall openings as the outcome of our strategic focus on low playing cost halls.

High playing cost halls. Revenue for high playing cost halls decreased by ¥13,394 million (equivalent to approximately HK$864 million), or 12.9%, from ¥104,121 million (equivalent to approximately HK$7,835 million) for the year ended 31 March 2014 to ¥90,727 million (equivalent to approximately HK$5,850 million) for the year ended 31 March 2015. The decrease was primarily due to a decrease in gross pay-ins. The revenue margin for the year ended 31 March 2015 increased by 0.8 points from 15.6% to 16.4% year-on-year, reflecting change in mix of machines in high playing cost halls including increased number of low playing cost machines.

Low playing cost halls. Revenue for low playing cost halls increased by ¥2,197 million (equivalent to approximately HK$142 million), or 3.6%, from ¥61,632 million (equivalent to approximately HK$4,637 million) for the year ended 31 March 2014 to ¥63,829 million (equivalent to approximately HK$4,115 million) for the year ended 31 March 2015. The revenue margin was 23.5% for the year ended 31 March 2015 and maintained the same level as the previous fiscal year.

HALL OPERATING EXPENSES

Hall operating expenses

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

	For the year ended 31 March											
	2015						2014					
	High playing cost halls		Low playing cost halls		Total		High playing cost halls		Low playing cost halls		Total	
	(in ¥ millions, except for percentages)											
		%		%		%		%		%		%
Hall staff costs	**24,746**	**34.6%**	**20,344**	**32.2%**	**45,090**	**33.5%**	26,449	33.9%	18,078	31.3%	44,527	32.8%
Machine expenses	**20,186**	**28.2%**	**16,420**	**26.0%**	**36,607**	**27.2%**	23,807	30.5%	14,299	24.7%	38,107	28.0%
Depreciation charges	**4,457**	**6.2%**	**5,582**	**8.8%**	**10,040**	**7.5%**	4,859	6.2%	5,257	9.1%	10,116	7.4%
Rental	**4,692**	**6.6%**	**6,282**	**10.0%**	**10,974**	**8.1%**	4,982	6.4%	5,477	9.5%	10,459	7.7%
Advertising expenses	**2,558**	**3.6%**	**2,357**	**3.7%**	**4,915**	**3.6%**	2,886	3.7%	1,800	3.1%	4,686	3.4%
Utilities expenses	**2,684**	**3.8%**	**3,152**	**5.0%**	**5,836**	**4.3%**	2,763	3.5%	2,666	4.6%	5,429	4.0%
G-prize expenses	**1,516**	**2.1%**	**1,681**	**2.7%**	**3,197**	**2.4%**	2,607	3.3%	2,695	4.7%	5,302	3.9%
Cleaning and ancillary services	**1,703**	**2.4%**	**1,703**	**2.7%**	**3,406**	**2.5%**	2,124	2.7%	1,805	3.1%	3,928	2.9%
Repair and maintenance	**2,127**	**3.0%**	**1,257**	**2.0%**	**3,384**	**2.5%**	1,512	1.9%	1,135	2.0%	2,647	1.9%
Others	**6,887**	**9.6%**	**4,323**	**6.9%**	**11,210**	**8.3%**	6,107	7.8%	4,634	8.0%	10,739	7.9%
Total	**71,556**	**100.0%**	**63,103**	**100.0%**	**134,659**	**100.0%**	78,095	100.0%	57,847	100.0%	135,940	100.0%

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

	For the year ended 31 March											
	2015						2014					
	High playing cost halls		Low playing cost halls		Total		High playing cost halls		Low playing cost halls		Total	
	(in ¥ millions, except for percentages)											
		%		%		%		%		%		%
Hall staff costs	**143.9**	**34.6%**	**92.1**	**32.2%**	**114.7**	**33.5%**	152.9	33.9%	89.5	31.3%	118.7	32.8%
Machine expenses	**117.4**	**28.2%**	**74.3**	**26.0%**	**93.1**	**27.2%**	137.6	30.5%	70.8	24.7%	101.6	28.0%
Depreciation charges	**25.9**	**6.2%**	**25.3**	**8.8%**	**25.5**	**7.5%**	28.1	6.2%	26.0	9.1%	27.0	7.4%
Rental	**27.3**	**6.6%**	**28.4**	**10.0%**	**27.9**	**8.1%**	28.8	6.4%	27.1	9.5%	27.9	7.7%
Advertising expenses	**14.9**	**3.6%**	**10.7**	**3.7%**	**12.5**	**3.6%**	16.7	3.7%	8.9	3.1%	12.5	3.4%
Utilities expenses	**15.6**	**3.8%**	**14.3**	**5.0%**	**14.8**	**4.3%**	16.0	3.5%	13.2	4.6%	14.5	4.0%
G-prize expenses	**8.8**	**2.1%**	**7.6**	**2.7%**	**8.1**	**2.4%**	15.1	3.3%	13.3	4.7%	14.1	3.9%
Cleaning and ancillary services	**9.9**	**2.4%**	**7.7**	**2.7%**	**8.7**	**2.5%**	12.3	2.7%	8.9	3.1%	10.5	2.9%
Repair and maintenance	**12.4**	**3.0%**	**5.7**	**2.0%**	**8.6**	**2.5%**	8.7	1.9%	5.6	2.0%	7.1	1.9%
Others	**40.0**	**9.6%**	**19.6**	**6.9%**	**28.5**	**8.3%**	35.3	7.8%	22.9	8.0%	28.6	7.9%
Total	**416.0**	**100.0%**	**285.5**	**100.0%**	**342.6**	**100.0%**	451.4	100.0%	286.4	100.0%	362.5	100.0%

Hall operating expenses decreased by ¥1,281 million (equivalent to approximately HK$83 million), or 0.9%, from ¥135,940 million (equivalent to approximately HK$10,229 million) for the year ended 31 March 2014 to ¥134,659 million (equivalent to approximately HK$8,682 million) for the year ended 31 March 2015.

The total amount of the entire hall operating expenses decreased primarily attributable to substantial decrease in pachinko and pachislot machine expenses and hall staff costs in high playing cost halls, partially offset by increase in pachinko and pachislot machine expenses and hall staff costs in low playing cost halls due to increased number of halls compared with the previous fiscal year.

High playing cost halls. Hall operating expenses decreased by ¥6,539 million (equivalent to approximately HK$422 million), or 8.4%, from ¥78,095 million (equivalent to approximately HK$5,876 million) for the year ended 31 March 2014 to ¥71,556 million (equivalent to approximately HK$4,614 million) for the year ended 31 March 2015. The average hall operating expenses per hall also decreased by 7.8% primarily due to the decrease in average pachinko and pachislot machine expenses and advertising expenses per hall by 14.7% and 10.8% respectively partially offset by increased repair and maintenance expenses per hall by 41.5% as a result of the renewal of 40 high playing cost halls implemented in the second half of this fiscal year.

Low playing cost halls. Hall operating expenses increased by ¥5,256 million (equivalent to approximately HK$339 million), or 9.1%, from ¥57,847 million (equivalent to approximately HK$4,353 million) for the year ended 31 March 2014 to ¥63,103 million (equivalent to approximately HK$4,069 million) for the year ended 31 March 2015, due primarily to the increase in pachinko and pachislot machine expenses and hall staff costs associated with addition of 19 halls including changeover of hall types from high playing cost halls to low playing cost halls. The average hall operating expenses per hall was ¥286 million (equivalent to approximately HK$18 million) for the year ended 31 March 2015 and maintained the same level as the previous fiscal year.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by ¥1,370 million (equivalent to approximately HK$88 million), or 33.5%, from ¥4,086 million (equivalent to approximately HK$307 million) for the year ended 31 March 2014 to ¥5,456 million (equivalent to approximately HK$352 million) for the year ended 31 March 2015. The increase was primarily due to the increased number of employees as a result of the acquisition of HUMAP Japan.

OTHER INCOME

Other income primarily comprises commission income from vending machines and in-store sales, which represented 57.2% and 59.2% of total other income for the years ended 31 March 2014 and 2015 respectively. Other income for the years ended 31 March 2014 and 2015 were ¥7,139 million (equivalent to approximately HK$537 million) and ¥6,850 million (equivalent to approximately HK$442 million) respectively. The slight decrease was primarily attributable to the gain on bargain purchases recognized for the year ended 31 March 2014.

OTHER OPERATING EXPENSES

Other operating expenses increased by ¥815 million (equivalent to approximately HK$53 million), or 72%, from ¥1,132 million (equivalent to approximately HK$85 million) for the year ended 31 March 2014 to ¥1,947 million (equivalent to approximately HK$126 million) for the year ended 31 March 2015. The increase was primarily attributable to the impairment loss on property, plant and equipment.

FINANCE INCOME

Finance income decreased by ¥1,509 million (equivalent to approximately HK$97 million), or 41.2%, from ¥3,660 million (equivalent to approximately HK$275 million) for the year ended 31 March 2014 to ¥2,151 million (equivalent to approximately HK$139 million) for the year ended 31 March 2015. The decrease was primarily attributable to the gain on change in fair value of IGG shares recognized for the year ended 31 March 2014.

FINANCE COSTS

Finance costs increased by ¥1,196 million (equivalent to approximately HK$77 million), or 153.1%, from ¥781 million (equivalent to approximately HK$59 million) for the year ended 31 March 2014 to ¥1,977 million (equivalent to approximately HK$127 million) for the year ended 31 March 2015. The increase was primarily attributable to the decrease in market value of the IGG shares.

CASH FLOW AND LIQUIDITY

Cash flows

We meet our working capital and other capital requirements mainly 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:

	For the year ended 31 March			
	2015		2014	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Net cash generated from operating activities	**13,416**	**865**	27,385	2,061
Net cash used in investing activities	**(17,013)**	**(1,097)**	(22,390)	(1,685)
Net cash used in financing activities	**(2,898)**	**(187)**	(13,102)	(986)
Effects of exchange rate changes on cash and cash equivalents	**898**	**58**	1,477	111
Net decrease in cash and cash equivalents	**(5,597)**	**(361)**	(6,630)	(499)
Cash and cash equivalents at beginning of year	**34,836**	**2,246**	41,466	3,120
Cash and cash equivalents at end of year	**29,239**	**1,885**	34,836	2,621

Financial **Review**

Net cash generated from operating activities

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

	For the year ended 31 March			
	2015		2014	
	(in millions)			
	¥	**HK$(1)**	¥	HK$(2)
Operating profit before working capital changes	**31,326**	**2,020**	41,776	3,143
Change in working capital — (used in)	**(1,569)**	**(101)**	(2,171)	(163)
Cash generated from operations	**29,757**	**1,919**	39,605	2,980
Income taxes paid	**(15,316)**	**(987)**	(11,225)	(845)
Finance costs paid	**(1,025)**	**(66)**	(995)	(75)
Net cash generated from operating activities	**13,416**	**865**	27,385	2,061

(1) Translated into Hong Kong dollars at the rate of ¥15.51 to HK$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

(2) Translated into Hong Kong dollars at the rate of ¥13.29 to HK$1.00, the exchange rate prevailing on 31 March 2014 (i.e. the last business day in March 2014).

Our net cash generated from operating activities was ¥13,416 million (equivalent to approximately HK$865 million) for the year ended 31 March 2015 as compared to ¥27,385 million (equivalent to approximately HK$2,061 million) for the year ended 31 March 2014. The decrease in our net cash generated from operating activities was mainly due to the decrease of ¥10,450 million (equivalent to approximately HK$674million) in operating profit before working capital changes, while increased income taxes and finance expenses paid. The negative effects on working capital for the year ended 31 March 2015 mainly reflected an increase in inventories, partially offset by increase in trade and other payables and other current liabilities.

Net cash used in investing activities

Our cash used in investing activities primarily consists 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 ¥22,390 million (equivalent to approximately HK$1,685 million) and ¥17,013 million (equivalent to approximately HK$1,097 million) for the years ended 31 March 2014 and 2015 respectively. The cash outflow for the year ended 31 March 2015 was primarily due to the purchase of property, plant and equipment amounted to ¥16,008 million (equivalent to approximately HK$1,032 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 year ended 31 March 2015, net cash used in financing activities was ¥2,898 million (equivalent to approximately HK$187 million) compared to net cash generated from financing activities of ¥13,102 million (equivalent to approximately HK$986 million) for the year ended 31 March 2014.

The cash outflow for the year ended 31 March 2015 was primarily due to the dividend payment in the amount of ¥10,400 million (equivalent to approximately HK$671 million) and repayment of bank loans in the amount of ¥9,218 million (equivalent to approximately HK$594 million).

Liquidity

Net current assets and working capital sufficiency

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

	31 March 2015		31 March 2014	
	(in millions)			
	¥	**HK$[(1)]**	¥	HK$[(2)]
Current assets				
Inventories	**4,493**	**290**	1,801	136
Trade receivables	**486**	**31**	563	42
Financial assets at fair value through profit or loss	**2,925**	**189**	3,875	291
Prizes in operation of pachinko halls	**4,292**	**277**	4,324	325
Other current assets	**7,288**	**470**	5,547	417
Cash and cash equivalents	**29,239**	**1,885**	34,836	2,621
	48,723	**3,141**	50,946	3,833
Current liabilities				
Trade and other payables	**20,468**	**1,320**	19,049	1,433
Derivative financial instruments	**–**	**–**	47	4
Borrowings	**3,160**	**204**	1,265	95
Finance lease payables	**254**	**16**	869	65
Provisions	**1,610**	**104**	1,619	122
Income taxes payables	**719**	**46**	8,984	676
Other current liabilities	**5,169**	**333**	3,077	232
	31,380	**2,023**	34,910	2,627
Net current assets	**17,343**	**1,118**	16,036	1,207

(1) Translated into Hong Kong dollars at the rate of ¥15.51 to HK$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

(2) Translated into Hong Kong dollars at the rate of ¥13.29 to HK$1.00, the exchange rate prevailing on 31 March 2014 (i.e. the last business day in March 2014).

As at 31 March 2014 and 30 September 2014, our net current assets totalled ¥16,036 million (equivalent to approximately HK$1,207 million) and ¥17,343 million (equivalent to approximately HK$1,118 million) respectively, and our current ratio was 1.5 and 1.6 respectively.

Gearing Ratio

The gearing ratio is an indicator of our capital structure, which is total borrowings divided by total assets. Total borrowings comprised long and short-term bank borrowings. The gearing ratio increased from 2.3% as at 31 March 2014 to 6.8% as at 31 March 2015, primarily due to the decrease in total assets and increase in total borrowings.

Financial **Review**

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 years ended 31 March 2014 and 2015 were ¥9,292 million (equivalent to approximately HK$699 million) and ¥16,008 million (equivalent to approximately HK$1,032 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.

Inventories

Our total inventories increased from ¥1,801 million (equivalent to approximately HK$136 million) as at 31 March 2014 to ¥4,493 million (equivalent to approximately HK$290 million) as at 31 March 2015. The increase was primarily attributable to increase in supplies related to our pachinko hall operation of ¥894 million (equivalent to approximately HK$58 million), and properties held for future development and under development for sale of ¥1,334 million (equivalent to approximately HK$86 million).

The details to inventories are provided in note 28 to the Consolidated Financial Statements on page 118 of this Annual Report.

Prizes in operation of pachinko halls

Our total prizes in operation of pachinko halls decreased from ¥4,324 million (equivalent to approximately HK$325 million) as at 31 March 2014 to ¥4,292 million (equivalent to approximately HK$277 million) as at 31 March 2015. The decrease was primarily attributable to decrease in general prize of ¥315 million (equivalent to approximately HK$20 million), while increase in G-prize of ¥283 million (equivalent to approximately HK$18 million).

PLEDGE OF ASSETS

As at 31 March 2015, certain property, plant and equipment and bank deposits were pledged as securities for the part of the bank borrowings of ¥12,320 million (equivalent to approximately HK$794 million).

CONTINGENT LIABILITIES

As at 31 March 2015, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The details to capital commitments are provided in note 48 to the consolidated financial statements on page 134 of this Annual Report.

ACQUISITION AND DISPOSAL

For the year ended 31 March 2015, there was no material acquisition and disposal any of our subsidiaries.

SIGNIFICANT INVESTMENTS

Save for the new halls opened, we did not have any significant investments during the year ended 31 March 2015.

EMPLOYEES

As at 31 March 2015, we had approximately 16,394 employees (31 March 2014: 15,900). 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 social insurance contribution, housing fund schemes and discretionary incentive. The staff costs incurred in the year ended 31 March 2015 was ¥48,231 million (equivalent to approximately HK$3,110 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.

Indebtedness

Our short-term and long-term borrowings outstanding as at 31 March 2015 were ¥3,160 million (equivalent to approximately HK$204 million) and ¥9,160 million (equivalent to approximately HK$591 million) respectively. These bank borrowings are secured liabilities.

The details to borrowings are provided in note 34 to the Consolidated Financial Statements on page 121 of this Annual Report.

Loan facilities

On 28 September 2012, 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 ¥15,000 million. The commitment of the lenders to provide for loans under the revolving loan facility is available for a three-year period from the execution date of the original loan agreement. Borrowings under the revolving loan facility bear interest at the rate of 0.875% 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 30 December 2014, Dynam has changed the commitment line contract signed on 31 March 2014 into the one being 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 disaster including earthquake. 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 when earthquake 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 a period from the execution date of the original loan agreement to 30 March 2018. Borrowings under the revolving loan facility bear interest at the rate of 0.475% 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 20 March 2015, Dynam entered into a new loan agreement with a syndicated of lenders, which provided for a loan facility in an amount of up to ¥30,000 million. The loan facility is available for a period from the execution date of the original 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.

At the close of business on 31 March 2015, we had a total amount of approximately ¥64,000 million (equivalent to approximately HK$4,126 million) of banking facilities including overdraft facilities available to us, of which approximately ¥52,000 million (equivalent to approximately HK$3,353 million) was unutilised.

Financial **Review**

MARKET RISKS

We are exposed to various market risks in the ordinary course of business. Our risk management strategy aims to minimise the adverse effects of these risks on our financial results.

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 its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The carrying amount of our bank and cash balances, derivative financial instruments, trade receivables such as commission income from vending machines, and other receivables and amounts due from related companies included in our statement of financial position represents our maximum exposure to credit risk in relation to our financial assets. We have no significant concentration of credit risk. We have policies in place to ensure that our third party vending machine operators have appropriate credit histories. Amounts due from related companies are closely monitored by our directors. The credit risk on bank and cash balances and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. In order to minimise credit risk, our 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 our credit risk is significantly reduced.

Interest rate risk

The Group's exposure to interest-rate risk arises mainly from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

Price risk

The Group's available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, exposing us to equity security price risk. Available-for-sale financial assets are investment held from a viewpoint of business strategy and not for short term trading purpose, we will not sell these investments frequently and shortly after the acquisition. We periodically review the fair values of these investments as well as the financial condition of investees.

Report of the **Directors**

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 March 2015 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The Company is a pure holding company and operates pachinko halls business.

In our pachinko halls business, in order to achieve the vision of "remaking pachinko as a truly popular entertainment that can be readily and comfortably enjoyed by all", the Group has been proactively expanding its specialized halls with low playing cost machines that allow users to enjoy pachinko at low costs. During the fiscal year ended 31 March 2015 under review, the Group opened 18 new halls with low playing cost machines and 1 new *traditional* hall with high playing cost machines and converted 2 halls operating under the brand of DYNAM which focused on four-yen pachinko to specialized hall "*Yuttari Kan*" with low playing cost machines. In addition, the Group closed 1 unprofitable hall. Consequently, there are now 221 specialized halls with low playing cost machines, making up over half of the Group's 393 halls as at 31 March 2015.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2015 are set out in the Financial Statements from page 70 to page 135 of this Annual Report.

DECLARATION OF FINAL DIVIDEND

The Board proposed to declare a final dividend of ¥7 per ordinary share for the year ended 31 March 2015 on 28 May 2015, the final dividend will be payable on 25 June 2015 to the Shareholders whose names appear on the Company's share register at close of business on 3 June 2015. Based on 742,850,360 Shares in issue as at 3 June 2015, it is expected that the final dividend payable will amount to approximately ¥5,200 million (equivalent to approximately HK$335 million). No Shareholder has waived or agreed to waive any dividends.

The exchange rate for the conversion of Japanese yen to Hong Kong dollar for the dividend distributed to Shareholders in the currency other than Japanese yen will be based on the average currency exchange rates prevailing five trading days immediately before 28 May 2015 (being 21 to 22 and 25 to 27 May 2015).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

We have not used or do not propose to use the proceeds from the initial public offering in a manner different from that detailed in the prospectus of our Company dated 24 July 2012.

Regarding the opening of new halls which accounts for the large portion of the use of proceeds, please refer to the Business Overview from page 32 to page 41 of this Annual Report.

FINANCIAL HIGHLIGHTS

A summary of the audited results and of the assets and liabilities of the Group for the last five reporting years is set out from page 12 to page 13 of this Annual Report.

Report of the **Directors**

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 23 of the Consolidated Financial Statements on page 115 of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in note 34 of the Consolidated Financial Statements on page 121 of this Annual Report. As at 31 March 2015, the Group's total current interest-bearing loans amounted to ¥3,160 million (2014: ¥1,265 million) and the total non-current interest-bearing loans amounted to ¥9,160 million (2014: ¥3,059 million).

The Group did not grant any loans to any entities, nor did it offer any financial assistance to its associates or make any guarantee for the facilities granted to its associates.

SHARE CAPITAL

Details of movements in the share capital for the year ended 31 March 2015 are set out in note 41 to the Consolidated Financial Statements on page 128 of this Annual Report.

RESERVES

Details of movements in the reserves of the Company for the year ended 31 March 2015 are set out in note 43 to the Consolidated Financial Statements on page 130 to page 131 of this Annual Report.

The Company's reserves for distribution refer to retained profits and other capital surplus. In the opinion of the Directors, as at 31 March 2015, the Company had reserves available for distribution to its Shareholders of ¥73,592 million (2014: ¥62,382 million).

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from 1 April 2014 to 31 March 2015.

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. We have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has agreed to exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of approximately 20.9% of our total issued share capital.

As of the date of this Annual Report, based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Stock Exchange during the period from 1 April 2014 to 31 March 2015.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Incorporation or applicable laws of Japan where the Company was incorporated.

DIRECTORS

The Directors of the Company during the year ended 31 March 2015 and up to the date of this Annual Report are as follows:

Executive Directors

Yoji SATO	re-appointed on 26 June 2014
Kohei SATO	appointed on 26 June 2014

Non-executive Director

Noriaki USHIJIMA	re-appointed on 26 June 2014

Independent Non-executive Directors

Katsuhide HORIBA	re-appointed on 26 June 2014
Ichiro TAKANO	re-appointed on 26 June 2014
Yukio YOSHIDA	re-appointed on 26 June 2014
Mitsutoshi KATO	re-appointed on 26 June 2014
Thomas Chun Kee YIP	re-appointed on 26 June 2014

DIRECTORS' BIOGRAPHIES

Directors' biographies are set out in the "Biographies of Directors and Senior Management" from page 18 to page 31 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any unexpired service contract with the Company which shall not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP, the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors have been independent from 1 April 2014 to 31 March 2015 and have remained independent as of the date of this Annual Report.

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

As at 31 March 2015, 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 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 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 of the Company[1]	Approximate percentage of interest in the Company[2]
Mr. Yoji SATO ("Mr. Sato")	Beneficial owner[3]	162,522,560	
	Interest in controlled corporation[3]	95,810,000	
	Interest in spouse[3]	760	
	Other[5]	203,571,800	
		461,905,120	62.180%
Mr. Kohei SATO	Beneficial owner[4]	55,139,680	
	Other[5]	406,765,440	
		461,905,120	62.180%
Mr. Noriaki USHIJIMA	Beneficial owner	838,000	0.113%
Mr. Ichiro TAKANO	Beneficial owner	20,000	0.003%
Mr. Yukio YOSHIDA	Beneficial owner	140,000	0.019%

Notes:

(1) All interests stated are long positions.

(2) There were 742,850,360 Shares in issue as at 31 March 2015.

(3) Mr. Sato is beneficially interested in 162,522,560 Shares. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Sato's interests under the SFO. Rich-O Co., Ltd. ("Rich-O"), which owns 95,810,000 Shares is a company owned as to 99.9% and controlled by Mr. Sato.

(4) Mr. Kohei SATO, one of the Sato Family Members (as hereinafter defined), was appointed as a director on 26 June 2014. He is beneficially interested in 55,139,680 Shares.

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

Save as disclosed above, as at 31 March 2015, 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 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.

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

As at 31 March 2015, 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 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]
Rich-O	Beneficial owner[3]	95,810,000	12.898%
One Asia Foundation ("One Asia")	Beneficial owner[4]	80,000,000	10.769%
Mrs. Keiko SATO	Beneficial owner[5]	760	
	Interest of spouse[5]	162,522,560	
	Other[6]	299,381,800	
		461,905,120	62.180%
Mr. Kiyotaka SATO	Beneficial owner	9,900,000	
	Other[6]	452,005,120	
		461,905,120	62.180%
Mr. Masahiro SATO	Beneficial owner	45,059,680	
	Other[6]	416,845,440	
		461,905,120	62.180%
Mr. Shigehiro SATO	Beneficial owner	46,575,680	
	Other[6]	415,329,440	
		461,905,120	62.180%
Mrs. Yaeko NISHIWAKI	Beneficial owner	46,896,760	
	Other[6]	415,008,360	
		461,905,120	62.180%

Notes:

(1) All interests stated are long positions.

(2) There were 742,850,360 Shares in issue as at 31 March 2015.

(3) Rich-O is a company owned as to approximately 99.9% and controlled by Mr. Sato. Hence, Mr. Sato is deemed to be interested in the Shares held by Rich-O by virtue of Rich-O being controlled by Mr. Sato.

(4) One Asia is a general incorporated foundation (*ippan zaidan houjin* 一般財団法人). 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) Mr. Sato is the beneficial owner of 162,522,560 Shares. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Sato's interests under the SFO.

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

Save as disclosed above, and as at 31 March 2015, the Directors were not aware of any persons (who were not Directors or chief executives 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 March 2015, the Company or any of its subsidiaries was not a party to any arrangement which would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate. None of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or any other corporate body or had exercised any such right.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN COMPETING BUSINESS

During the year ended 31 March 2015, none of the Directors or their respective associates (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

CONNECTED TRANSACTIONS

On 25 September 2014, Dynam Business Support, a wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which Dynam Business Support has agreed to acquire the entire equity interests in X-Golf Japan, 30% of equity interests in RD-TEK Co., Ltd., and 50% equity interests in X Golf America, Inc. from Dynam Holdings in consideration for ¥698,515,636 (equivalent to approximately HK$45,036,469[1]; and an assignment agreement (the "Assignment Agreement"), pursuant to which Dynam Business Support has agreed to accept assignment of the rights, title and interest in the promissory notes executed on 1 November 2013, which includes the loan receivables totaling US$600,000 together with the interest thereon, from Dynam Holdings in consideration for ¥41,521,085 (equivalent to approximately HK$2,677,053[1].

As Dynam Holdings was owned as to approximately 59.09% collectively by Mr. Yoji Sato (a connected person of the Company), Mrs. Sato and Rich-O (each being an associate of Mr. Yoji Sato), the Dynam Holdings was an associate of a connected person of the Company under the Listing Rules. Accordingly, Dynam Holdings was a connected person of the Company and the entering into the Share Purchase Agreement and the Assignment Agreement (collectively named as "Purchase Agreements") and the transactions contemplated thereunder constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Purchase Agreements had been aggregated. For more details, please refer to the Company's announcement dated 25 September 2014.

Note:

(1) Translated into Hong Kong dollars at the rate of ¥15.51 to HK$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as the continuing connected transactions disclosed above, no contract to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at any time during the year ended 31 March 2015 or at the end of the year.

REMUNERATION POLICY

The Group's remuneration policy is to compensate our employees based on their performance, and qualifications and our results of operations.

The emoluments of our Directors and senior management are determined by our remuneration committee with reference to our results of operations, their individual performance and so on.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in note 19 to the Consolidated Financial Statements from page 110 to page 112 of this Annual Report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2015.

DONATIONS

During the year ended 31 March 2015, the Group made donations of approximately ¥149 million.

PENSION SCHEME

The Company and its subsidiaries in Japan have established defined contribution pension system and retirement lump sum grants as our retirement benefit scheme.

Also, Dynam Hong Kong has introduced Mandatory Provident Fund ("MPF") scheme as a retirement protection scheme for their employees in Hong Kong.

Report of the **Directors**

MAJOR CUSTOMERS AND SUPPLIERS

Purchases of the Group attributable to its major suppliers respectively in the financial year were as follows:

	Year ended 31 March	
The largest supplier:	**2015**	2014
G-prize supplier	**53.0%**	53.7%
General prize supplier	**55.5%**	46.5%
Pachinko and pachislot machine supplier	**10.3%**	19.1%

	Year ended 31 March	
Top five suppliers:	**2015**	2014
G-prize supplier	**98.1%**	96.7%
General prize supplier	**89.6%**	85.5%
Pachinko and pachislot machine supplier	**41.2%**	47.1%

The nature of the Group's activities are such that the percentage of gross pay-ins attributable to the Group's five largest customers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

To the best knowledge of the Directors, none of the Directors, their close associates or any Shareholder holding more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest suppliers as disclosed above.

COMPLIANCE WITH THE CODE

During the Reporting Period and up to the date of despatch of this Annual Report, the Company had complied with the Code contained in Appendix 14 to the Listing Rules, except for code provision E.1.3 of the Code, which requires that notice for an annual general meeting should be sent to shareholders at least 20 clear business days before the meeting. Please refer to Corporate Governance Report from page 62 to page 67 of this Annual Report for further details.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Reporting Period, the details are set out in the Corporate Governance Report on page 62 of this Annual Report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2015 were prepared in accordance with the International Financial Reporting Standards and have been audited by PricewaterhouseCoopers Aarata who retire and, being eligible, offer themselves or re-appointment at the forthcoming AGM.

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

On behalf of the Board
Yoji SATO
Chairman of the Board

Japan, 28 May 2015

Corporate Governance **Report**

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 March 2015, the Company has complied with all applicable code provisions set out in the Code except for the following deviation.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting should be sent to shareholders at least 20 clear business days before the meeting. The AGM for the year ended 31 March 2015 is scheduled to be held on 24 June 2015, while the AGM notice is expected to be dispatched on 2 June 2015. The above arrangement complies with the Articles of Incorporation prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) but the AGM notice period is less than 20 clear business days before the AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2015). The Companies Act also requires the notice for the AGM to be dispatched together with the audited financial statements under Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise that annual report which accompanies the AGM notice to be dispatched to the Shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors' transactions of the listed securities of the Company. 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 throughout the year ended 31 March 2015. In addition to the Model Code, the Company has formulated and adopted the "Code of Conduct for Prevention of Insider Trading" as at 1 April 2014 for employees of the Company who are likely to have access to unpublished inside information of the Group.

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 senior management of the Company 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, internal control system, material transactions and other significant operational matters. The delegated functions and responsibilities are periodically reviewed. The senior management is responsible for the implementation of the policies laid down by the Board in connection with the conduct of the businesses of the Group. The senior management is being held accountable for reporting to the Board at least once in every three months. The Board currently consists of eight Directors, comprising two executive Directors, one non-executive Director and five independent non-executive Directors. Pursuant to the Company's 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 executive Director and Chairman of the Board and Mr. Kohei SATO who is the executive Director and the Chief Executive Officer are brothers.

Attendance of each Director at Board meetings, committees' meetings and Shareholders' meetings held during the year ended 31 March 2015 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	13	15	10	7	1
Executive Directors					
Mr. Yoji SATO (Chairman of the Board)	13/13	N/A	10/10	7/7	1/1
Mr. Kohei SATO (Chief Executive Officer)	10/10*	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Noriaki USHIJIMA	13/13	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Katsuhide HORIBA	13/13	N/A	10/10	7/7	1/1
Mr. Ichiro TAKANO	13/13	15/15	N/A	N/A	1/1
Mr. Yukio YOSHIDA	13/13	15/15	N/A	N/A	1/1
Mr. Mitsutoshi KATO	13/13	N/A	10/10	7/7	1/1
Mr. Thomas Chun Kee YIP	13/13	15/15	N/A	N/A	1/1

* Mr. Kohei SATO was appointed as an Executive Director in the AGM held 26 June 2014 and has attended all of the board meetings held on or after the same day.

Board meetings were held 13 times, Audit Committee meetings were held 15 times, Remuneration Committee meetings were held 10 times and Nomination Committee meetings were held 7 times. Shareholders' meetings were held once.

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 year ended 31 March 2015, Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP 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 of the Company, 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. Since the listing date up to 31 March 2015, all of the Directors have been committed to participating in appropriate continuous professional development activities by way 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. Yukio YOSHIDA and Mr. Thomas Chun Kee YIP. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee also monitors the Directors in fulfilling their fiduciary duties.

The Audit Committee held 15 meetings during the year ended 31 March 2015 and attendance rates of all members are 100%. The results for the year ended 31 March 2015 have been reviewed by the Audit Committee.

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. Katsuhide HORIBA (chairman) and Mr. Mitsutoshi KATO, and one executive Director, namely Mr. Yoji SATO. Main duties of the Remuneration Committee are to review and recommend the remuneration package of all Directors and other senior management of the Group.

The Remuneration Committee held 10 meetings during the year ended 31 March 2015 with attendance rates of all members are 100%. The Remuneration Committee reviewed and recommended to the Board for approval of the remuneration package of all Directors and other senior management of the Company.

Details of the Directors' remuneration are set out in note 19 to the Consolidated Financial Statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2015 is set out below:

Remuneration bands	Number of individuals
HK$500,000 to HK$1,000,000 (equivalent to ¥6,645,000 to ¥13,290,000)	1
HK$1,000,001 to HK$2,000,000 (equivalent to ¥13,290,013 to ¥26,580,000)	2
HK$2,000,001 to HK$3,000,000 (equivalent to ¥26,580,013 to ¥39,870,000)	2

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. Katsuhide HORIBA (chairman) and Mr. Mitsutoshi KATO, and one executive Director, namely Mr. Yoji 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 7 meetings during the year ended 31 March 2015 with attendance rates of all members are 100%. The Nomination Committee has recommended the appointment of Directors of the Company for the approval from the Shareholders in AGM held in June 2014.

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 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 Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The "Regulations on Prevention of Insider Trading" adopted by the Company with effect from 1 April 2014 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 in 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 **Report**

INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

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 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 internal control systems. The senior management develops operational guidelines on anti-money laundering measures and evaluates the measures for effectiveness on a regular basis.

The Group as a pachinko operator is subject to various requirements and restrictions under various Japanese laws and regulations. The Company employs 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 internal control 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 senior management for investigation and remediation. In addition, the hall staff are trained to detect irregular customer activities, particularly those involving large amounts of cash.

AUDITOR'S REMUNERATION

The Company's external auditor is PricewaterhouseCoopers Aarata.

During the year ended 31 March 2015, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	¥ million	**HK$ million***
Audit services *	86	6
Non-audit services	–	–
Total fees	86	6

* Audit services in connection with the audit of the financial statements of the Company and its subsidiaries for the year ended 31 March 2015.

^ Translated into Hong Kong dollars at the rate of ¥15.51 to HK$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

SHAREHOLDERS' RIGHTS

Rights to demand that Directors to 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 to 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 to the Company's email address at info@dyjh.co.jp.

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 in principle may demand that the Directors, no later than eight weeks prior to the day 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 Stock Exchange.

INVESTOR RELATIONS

To manage its relationship with investment community and its Shareholders, the Company also communicates 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.

Amendments to the Articles of Incorporation

During the year ended 31 March 2015, there were no changes in the Articles of Incorporation.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the year ended 31 March 2015, Mr. Kohei SATO, Chief Executive Officer of the Company, has assumed the office of Executive Director on 26 June 2014. Save as disclosed herein, there were no changes to information required to be disclosed by the Directors pursuant to Rule13.51B(1) of the Listing Rules.

JOINT COMPANY SECRETARIES

The Company engages Ms. MOK Ming Wai, director of KCS Hong Kong Limited, as one of its joint company secretaries. The primary corporate contact person at the Company is Mr. Norio HARASAWA, the other joint company secretary appointed by the Company on 26 June 2014. The Company has complied with Rule 3.29 of the Listing Rules since Ms. MOK and Mr. HARASAWA have undertaken no less than 15 hours of relevant profession training during the year ended 31 March 2015.

Independent **Auditor's Report**

TO THE BOARD OF DIRECTORS OF
DYNAM JAPAN HOLDINGS Co., Ltd.
(incorporated in Japan with limited liability)

We have audited the consolidated financial statements of DYNAM JAPAN HOLDINGS Co., Ltd. ("the Company") and its subsidiaries (together, the "Group") set out on pages 70 to 135, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap.32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel: +81 (3) 3546 8450, Fax: +81 (3) 3546 8451, www.pwc.com/jp/assurance

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap.32).

PricewaterhouseCoopers Aarata
27 May 2015

Consolidated Statement of **Income**

FOR THE YEAR ENDED 31 MARCH 2015

	Note	**2015** **¥ million**	2014 ¥ million
Revenue	13	**154,556**	165,754
Hall operating expenses	14(a)	**(134,659)**	(135,940)
General and administrative expenses	14(b)	**(5,456)**	(4,086)
Other income	16	**6,850**	7,139
Other operating expenses		**(1,947)**	(1,132)
Operating profit		**19,344**	31,735
Finance income	17(a)	**2,151**	3,660
Finance expenses	17(b)	**(1,977)**	(781)
Profit before income tax		**19,518**	34,614
Income taxes	18	**(8,259)**	(13,377)
Net profit for the year		**11,259**	21,237
Net profit attributable to:			
Owners of the Company		**11,303**	21,255
Non-controlling interests		**(44)**	(18)
Net profit		**11,259**	21,237
Earnings per share	22		
Basic (¥)		**15.2**	28.6
Diluted (¥)		**N/A**	N/A

Consolidated Statement of **Comprehensive Income**

FOR THE YEAR ENDED 31 MARCH 2015

	Note	**2015** **¥ million**	2014 ¥ million
Net profit for the year		**11,259**	21,237
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit retirement plans	37(d)	**–**	(8)
— Income tax arising from actuarial gain thereof		**(1)**	3
		(1)	(5)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,143**	512
Changes in fair value of available-for-sale financial assets	25	**(8,979)**	5,720
— Income tax effect of changes in fair value of available-for-sale financial assets		**21**	(6)
		(7,815)	6,226
Other comprehensive income for the year, net of tax	44	**(7,816)**	6,221
Total comprehensive income for the year		**3,443**	27,458
Total comprehensive income attributable to:			
Owners of the Company		**3,487**	27,483
Non-controlling interests		**(44)**	(25)
Total comprehensive income		**3,443**	27,458

Consolidated Statement of **Financial Position**

AT 31 MARCH 2015

	Note	**2015** **¥ million**	2014 ¥ million
Non-current assets			
Property, plant and equipment	23,48	**99,961**	94,605
Intangible assets	24	**1,029**	1,408
Available-for-sale financial assets	25	**8,807**	15,413
Deferred tax assets	38	**10,954**	12,374
Other non-current assets	27	**11,462**	11,423
		132,213	135,223
Current assets			
Inventories	28	**4,493**	1,801
Trade receivables	10(b)	**486**	563
Financial assets at fair value through profit or loss	26	**2,925**	3,875
Prizes in operation of pachinko halls	29	**4,292**	4,324
Other current assets	30	**7,288**	5,547
Cash and cash equivalents	31	**29,239**	34,836
		48,723	50,946
TOTAL ASSETS		**180,936**	186,169
Current liabilities			
Trade and other payables	32	**20,468**	19,049
Derivative financial instruments	33	**–**	47
Borrowings	34	**3,160**	1,265
Finance lease payables	35	**254**	869
Provisions	39	**1,610**	1,619
Income taxes payables		**719**	8,984
Other current liabilities	36	**5,169**	3,077
		31,380	34,910
Net current assets		**17,343**	16,036
Total assets less current liabilities		**149,556**	151,259

	Note	2015 ¥ million	2014 ¥ million
Non-current liabilities			
Derivative financial instruments	33	**–**	83
Deferred tax liabilities	38	**175**	380
Borrowings	34	**9,160**	3,059
Finance lease payables	35	**66**	332
Retirement benefit obligations	37	**–**	63
Other non-current liabilities	40	**1,002**	1,545
Provisions	39	**4,100**	3,787
		14,503	9,249
NET ASSETS		**135,053**	142,010
Capital and reserves			
Share capital	41	**15,000**	15,000
Capital reserve	43(a)	**10,129**	10,129
Retained earnings	43(a)	**111,037**	110,136
Other component of equity	43(a)	**(1,089)**	6,725
Equity attributable to owners of the Company		**135,077**	141,990
Non-controlling interests		**(24)**	20
TOTAL EQUITY		**135,053**	142,010

Consolidated Statement of
Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2015

	Attributable to equity holders of the Company									
				Other component of equity						
	Share capital ¥ million	Capital reserve ¥ million	Retained earnings ¥ million	Investment revaluation reserve ¥ million	Foreign currency translation reserve ¥ million	Other reserves ¥ million	Total ¥ million	Total ¥ million	Non-controlling interests ¥ million	Total equity ¥ million
At 1 April 2013	15,000	10,129	99,446	115	375	28	518	125,093	–	125,093
Profit for the year	–	–	21,255	–	–	–	–	21,255	(18)	21,237
Other comprehensive income for the year	–	–	–	5,714	519	(5)	6,228	6,228	(7)	6,221
Total comprehensive income for the year	–	–	21,255	5,714	519	(5)	6,228	27,481	(25)	27,458
Increase due to acquisition of a subsidiary	–	–	–	–	–	–	–	–	45	45
Transfer upon the curtailment of defined benefit plans	–	–	21	–	–	(21)	(21)	–	–	–
2014 dividend	–	–	(10,586)	–	–	–	–	(10,586)	–	(10,586)
Total changes in equity for the year	–	–	10,690	5,714	519	(26)	6,207	16,897	20	16,917
At 31 March 2014	15,000	10,129	110,136	5,829	894	2	6,725	141,990	20	142,010
At 1 April 2014	**15,000**	**10,129**	**110,136**	**5,829**	**894**	**2**	**6,725**	**141,990**	**20**	**142,010**
Profit for the year	**–**	**–**	**11,303**	**–**	**–**	**–**	**–**	**11,303**	**(44)**	**11,259**
Other comprehensive income for the year	**–**	**–**	**–**	**(8,958)**	**1,143**	**(1)**	**(7,816)**	**(7,816)**	**1**	**(7,815)**
Transfer to retained earnings	**–**	**–**	**(2)**	**–**	**–**	**2**	**2**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**11,301**	**(8,958)**	**1,143**	**1**	**(7,814)**	**3,487**	**(44)**	**3,443**
2015 dividend	**–**	**–**	**(10,400)**	**–**	**–**	**–**	**–**	**(10,400)**	**–**	**(10,400)**
Total changes in equity for the year	**–**	**–**	**901**	**(8,958)**	**1,143**	**1**	**(7,814)**	**(6,913)**	**(44)**	**(6,957)**
At 31 March 2015	**15,000**	**10,129**	**111,037**	**(3,129)**	**2,037**	**3**	**(1,089)**	**135,077**	**(24)**	**135,053**

Consolidated Statement of **Cash Flows**

FOR THE YEAR ENDED 31 MARCH 2015

	2015 ¥ million	2014 ¥ million
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**19,518**	34,614
Adjustments for:		
Finance expenses	**1,977**	781
Finance income	**(2,151)**	(3,660)
Depreciation	**10,340**	10,234
Amortisation of intangible assets	**584**	533
Loss on disposals and write off of property, plant and equipment	**168**	59
Impairment loss/(Reversal of impairment loss) on property, plant and equipment	**872**	(55)
Gain on bargain purchases	**–**	(754)
Other adjustments	**18**	24
Operating profit before working capital changes:	**31,326**	41,776
Decrease in prizes in operation of pachinko halls	**32**	1,279
Increase in inventories	**(2,545)**	(3,927)
Decrease in trade receivables	**92**	715
Decrease in other non-current assets	**69**	616
(Increase)/decrease in other current assets	**(1,709)**	660
Increase in trade and other payables	**1,018**	377
Increase/(decrease) in other current liabilities	**2,089**	(2,229)
Decrease in other non-current liabilities	**(606)**	(395)
Increase in retirement benefit obligations	**–**	673
(Decrease)/Increase in current provisions	**(9)**	60
Cash generated from operations	**29,757**	39,605
Income taxes paid	**(15,316)**	(11,225)
Finance expenses paid	**(1,025)**	(995)
Net cash generated from operating activities	**13,416**	27,385

Consolidated Statement of **Cash Flows**

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 ¥ million	2014 ¥ million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(16,008)**	(9,292)
Purchase of intangible assets		**(362)**	(517)
Acquisition of subsidiaries		**–**	(2,372)
Purchase of available-for-sale financial assets		**(818)**	(8,858)
Purchase of financial assets at fair value through profit or loss		**–**	(1,481)
Finance income received		**133**	126
Other adjustments		**42**	4
Net cash used in investing activities		**(17,013)**	(22,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**17,600**	–
Repayment of bank loans		**(9,218)**	(1,295)
Repayment of finance leases		**(880)**	(1,221)
Dividends paid	21	**(10,400)**	(10,586)
Net cash used in financing activities		**(2,898)**	(13,102)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**898**	1,477
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,597)**	(6,630)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**34,836**	41,466
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	**29,239**	34,836
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**29,239**	34,836

Notes **to the Consolidated Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2015

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company as of 31 March 2015 consist of the Company and its subsidiaries (the "Group"). The principal activities of the Group are operations of pachinko halls and services subordinated to the operation.

The consolidated financial information was approved and authorized for issuance by the Board of Directors on 28 May 2015.

In the opinion of the directors of the Company, as at 31 March 2015, Mr. Yoji Sato and Sato Family Members as defined in the prospectus of the Company dated 24 July 2012 (the "Prospectus") are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss and derivative financial instruments which are carried at their fair values.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative year.

3. REPORTING CURRENCY

The consolidated financial statements are presented in Japanese Yen, which is the functional currency of the Company and rounded to the nearest million yen, unless otherwise stated.

4. USE OF ESTIMATES AND JUDGEMENTS

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

5. CHANGES IN METHOD OF PRESENTATION (FINANCIAL INCOME)

In the year ended 31 March 2014, the finance income was included in the other income in the consolidated statement of income, however, it is presented separately as the finance income in the consolidated statement of income since the year ended 31 March 2015 in order to more faithfully represent the results of its operating activities for the period. To reflect this change in the presentation method, ¥3,660 million, that was previously included in the other income in the year ended 31 March 2014, was reclassified from the other income and presented as the finance income.

6. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2014

(a) Amendments to IAS 36, 'Impairment of assets'

IAS 36, 'Impairment of assets', is amended to clarify the recoverable amount disclosures of the cash generating units.

The amendment did not have a significant impact on the Group's financial statements.

(b) IFRIC 21, 'Levies'

The Group has adopted IFRIC 21 'Levies'. IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

The interpretation is adopted retroactively for consolidated financial statements for the year ended 31 March 2014.

As a result, the trade and other payables and the deferred tax assets as of 31 March 2014 increased by ¥1,244 million and ¥437 million respectively, and the retained earnings as of 31 March 2014 decreased by ¥807 million. The trade and other payables and the deferred tax assets as of 31 March 2015 increased by ¥1,318 million and ¥461 million respectively and the retained earnings as of 31 March 2015 decreased by ¥857 million.

The hall operating expenses, general and administrative expenses and other operating expenses for the year ended 31 March 2014 increased by ¥49 million, ¥11 million and ¥4 million respectively. The hall operating expenses and general and administrative expenses for the year ended 31 March 2015 increased by ¥54 million, ¥21 million respectively and the other operating expenses for the year ended 31 March 2015 decreased by ¥1 million.

The impacts on the operating profit for the year ended 31 March 2014 and for year ended 31 March 2015 are decrease of ¥64 million and ¥74 million respectively.

Other amendments to IFRSs effective for the year ended 31 March 2015 does not have a material impact on the Group.

7. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT ARE PUBLISHED BUT HAVE NOT YET BEEN ADOPTED BY THE GROUP

The new standards, amendments to existing standards and interpretations have been published before the approval date of the consolidated financial statements, but the Group has not early adopted are as follows. The impact to the consolidated financial statements through adoption is still under investigation and it is difficult to estimate at this moment.

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS9	Financial instruments	1 January 2018	March 2019	Amendment with regard to classification, measurement and hedge accounting
IFRS15	Revenue from Contracts with Customers	1 January 2017	March 2018	Amendment with regard to the accounting of revenue recognition

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 31 December 2015 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

8. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgement in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 9 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) ***Consolidation*** *(Continued)*

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Comprehensive losses arising from subsidiaries are allocated to the owners of the Company and non-controlling interests even if the balances of non-controlling interests are a negative figure.

The financial statements of the subsidiaries are adjusted to prepare for the same reporting period as the Group if closing dates of the subsidiaries are different from the date of consolidated financial statements.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(b) ***Merger accounting for business combinations under common control***

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 1 December 2011.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group (the "Continuing Group"). Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the companies comprising the Group for the three years ended 31 March 2012, rather than from the date on which the Reorganisation was completed.

The Continuing Group was both controlled by the shareholders of DYNAM HOLDINGS Co., Ltd. ("Dynam Holdings") both before and after the Reorganisation, thus, the Reorganisation was accounted for as a business combination of entities under common control. The financial statements of the Continuing Group have been prepared based on the principles and procedures of merger accounting as if the Reorganisation had occurred from the date when the combining entities first came under the control of the shareholders of Dynam Holdings.

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Merger accounting for business combinations under common control (Continued)

The consolidated statements of profit or loss and statements of profit or loss and other comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Business combinations (other than under common control)

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Japanese yen ("¥" or "JPY"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost includes expenditure that is directly attributable to the acquisition of the items. The cost also includes the initially estimated costs of dismantling and removing the item and restoring the site to the original state.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Pachinko and pachislot machine expenses are recognised in profit or loss when it is installed for use in the operation of pachinko hall.

Depreciation of property, plant and equipment is calculated at rates appropriate to write off their cost less their residual values over the estimated useful lives on a straight-line basis and reducing balance basis. The principal useful lives are as follows:

Freehold land	Not applicable
Buildings including leasehold improvements	2-50 years
Tools and equipment	4-20 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings and structures under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives as follows:

Trademarks	10 years
Computer software	5 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

An intangible asset with an indefinite useful life is not amortised and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of assessing impairment of an asset for which the assessment is not applicable on the individual asset basis, identifiable cash generating unit to which the asset belongs is tested for impairment.

(g) Leases (lessee)

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Inventories

(i) **Supplies**

Supplies represent pachinko and pachislot machineries and consumables for use in the operation of halls and are stated at the lower of cost and net realisable value.

Pachinko and pachislot machineries which are not yet installed for the use in a pachinko hall are stated on the specific costing basis. The carrying amount is reduced to the net realisable value when the value becomes lower than the cost.

Cost of consumables for use in the operation of halls is determined using the first in, first out basis.

(ii) **Property under development for sale**

Property under development for sale are carried at the lower of cost and net realisable value.

The cost of property under development for sale comprises specifically identified cost, including aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(i) Prizes in operation of pachinko halls

Prizes are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds less selling expenses. Cost is determined using the weighted average basis.

(j) Derivative financial instruments

Derivative financial instruments are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivative financial instruments are recognised in profit or loss.

(k) Non-derivative financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) ***Non-derivative financial assets*** *(Continued)*

Trade date refers to the date on which the Group commits to purchase or sell the financial assets.

(i) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are non-derivative financial assets acquired principally for the purpose of selling in the short term.

Financial assets at fair value through profit or loss are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of income.

Financial assets at fair value through profit or loss are subsequently measured at fair value and gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss.

(ii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair value, plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(iii) **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially measured at fair value, plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets not classified as "Financial assets at fair value through profit or loss", " Held-to-maturity investments" and "Trade and other receivables".

Available-for-sale financial assets are included in the non-current assets unless expected to be settled within twelve months or management intends to dispose of the investment within twelve months after the balance sheet date.

Available-for-sale financial assets are initially measured at fair value, plus directly attributable transaction costs and subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of Financial assets

Financial assets except 'Financial assets at fair value through profit or loss' are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

For listed and unlisted securities classified as *Available-for-sale financial assets*, the significant or prolonged decline in the fair value of a security below its cost is considered to be objective evidence of impairment.

For all financial assets, such as redeemable notes classified as available-for-sale financial assets and financial lease receivables, the objective evidence of impairment could include:

a. significant financial difficulty of the issuer or counterparty; or

b. breach of contract, such as default or delinquency in interest and principal payments; or

c. it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Impairment loss of financial assets measured at amortised cost is recognised as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account.

When trade and other receivables, which include the receivable with change in collection date, are considered uncollectible, the allowance account is recorded against receivable. When trade and other receivables are abandoned or collected subsequently, the allowance account is reversed. Changes in the amount of the allowance account except for the changes due to intended usage are recognised in profit or loss.

For financial assets except 'Available-for-sale financial assets', if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date when the impairment is reversed does not exceed what the amortised cost would have been if the impairment had not been recognised.

(m) Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets.

If the transferred financial assets remain under control of the Group, the Group continue to recognise financial assets and associated liabilities, if any, to the extent which the Group retains the control over the assets.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Disclosure of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(o) Equity instruments and financial liabilities issued by the Company excluding derivative instruments

(a) **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(b) **Financial liabilities**

Financial liabilities are classified as 'financial liabilities at fair value through profit or loss' and 'other financial liabilities'.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value though profit or loss.

Financial liabilities are classified as held for trading in the below situation:

(a) Financial liabilities acquired principally for the purpose of sale or repurchase in short term.

(b) At initial recognition, the financial liabilities are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.

(c) Derivative instruments (excluding the financial guarantee and designated effective hedging instruments).

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, gains or losses arising from changes in fair value being recognised in profit or loss.

Gains or losses arising from changes in fair value and interest expenses are recognised in consolidated statement of income as profit or loss.

(ii) Other financial liabilities

Other financial liabilities which include borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost, using the effective interest rate method, with interest expense recognized on an effective yield basis.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(q) Financial guarantee contracts

Financial guarantee contracts are measured initially at their fair values and are subsequently measured at the higher of:

— the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

— the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 "Revenue".

(r) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions and short-term highly liquid financial assets with original maturities of three months or less and subject to an insignificant risk of change in value. Although the bank overdrafts arisen due to the Group's cash management policy are repaid upon demand from financial institutions, the amount of overdrafts is included as a component of cash and cash equivalents.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Revenue

The principal activities of the Group are operations of Pachinko and Pachinko-Slot game halls which provide a series of services from renting pachinko balls and pachislot tokens to exchanging prizes.

Revenue from pachinko and pachislot games represents the gross pay-ins, less gross payouts to customers.

Gross pay-ins represents the amount received from pachinko balls and pachislot tokens rented to customers less unutilised balls and tokens. Gross payouts represents the aggregate cost of G-prize and general prize exchanged by customers.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) ***Revenue recognition*** *(Continued)*

(ii) Other income

Based on contract conditions, income from commission of vending machines and store merchandising are recognized on accrual basis.

Income from invalidation of saved balls, which means a deposit of balls in the customer's membership card, and can be withdrawn and used for exchanging for prizes or playing games in the future, is recognised on accrual basis in accordance with the membership terms and conditions.

Income from invalidation of unused amount in pre-paid IC card, which means the amount of unused balls and tokens, is recognised after the right is expired.

Rent income is recognised on a straight-line method over the lease term.

(iii) Interest income and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(t) ***Employee benefits***

(i) Short-term employee benefits

The Group recognizes the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered.

A provision is made for the estimated liability for annual leave and long service leave when the Group has a present obligation (legal or constructive) as a result of services rendered by employees up to the end of the reporting period and reliable estimate can be made of the amount of the obligation.

(ii) Defined contribution retirement plans

The Group contributes to defined contribution retirement plans which are available to all directors and eligible employees.

Contributions to the plans by the Group are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contributions payable by the Group to the funds.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

Current tax is calculated based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it includes items from previous years that were not deductible or taxable, excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

8. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Impairment of non-financial assets

(i) **Impairment of tangible and intangible assets except goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(ii) **Impairment of goodwill**

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed.

(w) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

In assessing present value, the estimated future expenditures are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, contingent liabilities and their accompanying disclosures.

The estimates and underlying assumptions are based upon historical experience and other factors that are believed to be reasonable under the circumstances.

Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates and assumptions.

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.

Estimates and judgments made by management that have a significant effect on the amounts recognised in the consolidated financial statements are as follows;

(a) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment has any indication of impairment in accordance with the accounting policy. The recoverable amount of property, plant and equipment is determined from the higher of fair value less costs of disposal and value in use calculation. This calculation requires the use of judgement and estimates.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated.

(c) Impairment of available-for-sale financial assets

For listed and unlisted securities classified as available-for-sale financial assets, the significant or prolonged decline in the fair value of a security below its cost is considered to be objective evidence of impairment.

The Group determines whether the unlisted equity investment is impaired at least on an annual basis and based on the available financial statements. This calculation requires the use of judgement and estimates.

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(e) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required for calculation of current income taxes. When the final income tax amount is different from initial estimation, such difference will impact on current and deferred tax in the current fiscal year.

10. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in Hong Kong dollars ("HK$") and United States dollars ("USD").

The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2015, if the JPY had weakened or strengthened 10% against the HK$ with all other variables held constant, consolidated profit after tax for the year would have been ¥76 million (2014: ¥186 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in HK$.

At 31 March 2015, if the JPY had weakened or strengthened 10% against the USD with all other variables held constant, consolidated profit after tax for the year would have been ¥197 million (2014: ¥295 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in USD.

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk

The Group's financial assets, listed equity securities classified as available-for-sale financial assets, and financial assets at fair value through profit or loss, are measured at fair value at the end of each reporting period and are exposed to equity security price risk. The Group periodically reviews the fair values of these investments as well as the financial condition of investees.

The table below summarises the impact of increases/decreases of the two equity indexes on the consolidated profit after tax for the year and on the consolidated other comprehensive income. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Impact on consolidated profit after tax	**2015** **¥ million**	2014 ¥ million
Hang Seng Index		
5%	**122**	162
(5%)	**(122)**	(162)
Tokyo Price Index		
5%	**–**	–
(5%)	**–**	–

Impact on other comprehensive income	**2015** **¥ million**	2014 ¥ million
Hang Seng Index		
5%	**357**	725
(5%)	**(357)**	(725)
Tokyo Price Index		
5%	**22**	20
(5%)	**(22)**	(20)

The consolidated profit after tax for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. The consolidated other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale financial assets.

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk (Continued)

(iii) Interest rate risk

The Group's exposure to interest-rate risk arises mainly from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2015, it is estimated that a general increase/(decrease) of 25 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

Increase/(decrease) in interest rate	**2015** **¥ million**	2014 ¥ million
25 basis points	**(15)**	4
(25) basis points	**15**	(4)

The sensitivity analysis above indicates the impact on the Group's profit for the year that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates.

(b) Credit risk

The carrying amount of the bank and cash balance, pledged bank deposits, trade and other receivables and derivative financial instruments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

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 minimise credit risk, management have 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.

The credit risk on bank and cash balances and derivative financial instruments are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit terms generally range from 1 to 30 days.

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) ***Credit risk*** *(Continued)*

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

	2015 ¥ million	2014 ¥ million
1 to 30 days	437	546
31 days to 60 days	22	17
Over 60 days	27	–
	486	563

No balances were past due at the year ended 31 March 2015 (2014: Nil)

(c) ***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 its 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 longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Maturity Analysis — undiscounted cash outflows				
	Less than 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
At 31 March 2015					
Trade and other payables	20,468	–	–	–	20,468
Other current liabilities	5,169	–	–	–	5,169
Borrowings	3,160	160	5,827	3,600	12,747
Finance lease payables	260	52	16	–	328
Other non-current liabilities	–	511	119	372	1,002
	29,057	723	5,962	3,972	39,714

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) ***Liquidity risk*** *(Continued)*

	Maturity Analysis — undiscounted cash outflows				
	Less than 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
At 31 March 2014					
Trade and other payables	19,049	–	–	–	19,049
Other current liabilities	3,077	–	–	–	3,077
Derivative financial instruments	47	38	42	3	130
Borrowings	1,360	1,066	1,677	458	4,561
Finance lease payables	895	298	40	–	1,233
Other non-current liabilities	–	506	751	126	1,383
	24,428	1,908	2,510	587	29,433

11. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The overall strategy remained unchanged during the year.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising share capital, capital reserve and retained earnings.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through arrangement of borrowings, payment of dividends and new shares issued.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. However, the Group have applied a wavier under Rule 8.08(1)(d) of the Listing Rules in which the Stock Exchange accepted a lower public float percentage of approximately 20.9% of the Group total issued share capital. Based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Stock Exchange during the period from 1 April 2014 to 31 March 2015.

11. CAPITAL RISK MANAGEMENT *(Continued)*

The Group will consider cash and cash equivalents, borrowings and equity attributable to owners of the Company. The amount of liability, cash and cash equivalents and equity at 31 March 2015 and 2014 are as follows.

	2015	2014
	¥ million	¥ million
Total liability	**45,883**	44,159
Less: cash and cash equivalents	**(29,239)**	(34,836)
Net liability	**16,644**	9,323
Total liability and total equity	**180,936**	186,169

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	At 31 March 2015		At 31 March 2014	
	¥ million		¥ million	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Available-for-sale financial assets	**8,807**	**8,807**	15,413	15,413
Financial assets measured at fair value through profit or loss	**2,925**	**2,925**	3,875	3,875
Held-to-maturity investment	**10**	**10**	10	10
Loans and receivables (including cash and cash equivalents)	**31,247**	**31,247**	36,430	36,430
Rental deposits	**5,510**	**6,019**	5,470	5,958
Total	**48,499**	**49,008**	61,198	61,686
Financial liabilities				
Derivative financial instruments	**–**	**–**	130	130
Financial liabilities at amortised cost	**11,100**	**11,100**	8,481	8,481
Borrowings	**12,320**	**12,320**	4,324	4,324
Finance lease payables	**320**	**320**	1,201	1,201
Total	**23,740**	**23,740**	14,136	14,136

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

(a) Fair Value Measurement

(i) Available-for-sale financial assets

The fair values of listed investments are based on quoted bid prices at the end of the reporting period. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using reasonable valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

(ii) Financial assets at fair value through profit or loss

The fair values of listed investments are based on quoted bid prices at the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are financial assets and based on quoted bid prices at the end of the reporting period.

(iv) Receivables, and cash and cash equivalents

The fair values of the Group's financial assets, including trade and other receivables, and cash and cash equivalents approximate their carrying amounts due to their short-term maturities.

(v) Financial liabilities at fair value through profit or loss

The fair value of the interest rate swap contracts as at 31 March is based on the valuation performed by AVISTA Valuation Advisory Limited, an independent qualified professional valuer. The methodology adopted is Discounted Cash Flow Method using the applicable yield curve for the duration of the interest rate swap contracts.

(vi) Other financial liabilities

Other financial liabilities which include borrowings and lease obligations are subsequently measured, by each liabilities classified by period, at present value discounted by the interest rate which takes into account duration and credit risk. The carrying amounts of financial liabilities other than above approximate their fair values, hence they are settled in short term.

(b) 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 at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels of inputs to valuation techniques used to measure fair value:

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at 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.

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

(b) ***Fair Value estimation*** *(Continued)*

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. 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 primarily equity investments classified as available-for-sale financial assets and financial assets measured at fair value through profit or loss.

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 it is 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.

Assets and liabilities that are measured at fair value on a recurring basis

At 31 March 2015	Fair value measurements using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	¥ million	**¥ million**	**¥ million**	**¥ million**
Recurring fair value measurements:				
Financial assets measured at fair value through profit or loss				
Listed securities in Hong Kong	**2,925**	**–**	**–**	**2,925**
Available-for-sale financial assets				
Listed securities in Japan	**647**	**–**	**–**	**647**
Listed securities in Hong Kong	**7,132**	**–**	**–**	**7,132**
Others	**–**	**–**	**1,028**	**1,028**
	7,779	**–**	**1,028**	**8,807**
Total	**10,704**	**–**	**1,028**	**11,732**

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

(b) ***Fair Value estimation*** *(Continued)*

Assets and liabilities that are measured at fair value on a recurring basis *(Continued)*

At 31 March 2014	Fair value measurements using:			
Description	Level 1	Level 2	Level 3	Total
	¥ million	¥ million	¥ million	¥ million
Recurring fair value measurements:				
Financial assets measured at fair value through profit or loss				
Listed securities in Hong Kong	3,875	–	–	3,875
Available-for-sale financial assets				
Listed securities in Japan	923	–	–	923
Listed securities in Hong Kong	14,490	–	–	14,490
	15,413	–	–	15,413
Interest rate swaps	–	130	–	130
Total	19,288	130	–	19,418

During the year, there were no transfers between levels 1, 2 and 3 respectively.

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

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements are as follows:

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 will normally engage external valuation experts with the recognized professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	**Valuation technique**	**Inputs**	**Fair value 2015 ¥ million**	Fair value 2014 ¥ million
Derivatives — interest rate swap contracts	Discounted cash flow method	Swap rate and discount rate	**–**	(130)

Level 3 fair value measurements

Description	**Valuation technique**	**Inputs**	**Fair value 2015 ¥ million**	Fair value 2014 ¥ million
Unlisted equity securities and others	Discounted cash flow method	Discount rate	**1,028**	–

Notes **to the Consolidated Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2015

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

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements are as follows: *(Continued)*

Assets and liabilities that are not measured at fair value in the consolidated statement of financial position but for which the fair value is disclosed

Following items are included within financial assets and liabilities which are not measured at fair value as of the reporting period. The fair value of these items are shown in the table below. Note that items with the carrying amounts which are reasonable approximation of fair values are not presented in the table.

At 31 March 2015

Description	**Fair value measurements using:**			
	Level 1	**Level 2**	**Level 3**	**Total**
	¥ million	**¥ million**	**¥ million**	**¥ million**
Financial assets				
Rental deposits	**–**	**6,019**	**–**	**6,019**
Total	**–**	**6,019**	**–**	**6,019**

At 31 March 2014

Description	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	¥ million	¥ million	¥ million	¥ million
Financial assets				
Rental deposits	–	5,958	–	5,958
Total	–	5,958	–	5,958

13. SEGMENT INFORMATION

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

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

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

REVENUE

	2015 **¥ million**	2014 ¥ million
Gross pay-ins	**826,072**	922,172
Less: Gross payouts	**(671,516)**	(756,418)
Revenue	**154,556**	165,754

14. HALL OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

(a) Hall operating expenses

	2015 **¥ million**	2014 ¥ million
Advertising expenses	**4,915**	4,686
Cleaning and ancillary services	**3,406**	3,928
Depreciation charges expenses	**10,040**	10,116
G-prize expenses	**3,197**	5,302
Hall staff costs	**45,090**	44,527
Pachinko and pachislot machine expenses	**36,607**	38,107
Rental expenses	**10,974**	10,459
Repair and maintenance expenses	**3,384**	2,647
Utilities expenses	**5,836**	5,429
Others	**11,210**	10,739
	134,659	135,940

14. HALL OPERATING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES *(Continued)*

(b) General and administrative expenses

	2015	2014
	¥ million	¥ million
Salaries, bonus and allowances	**3,141**	2,205
Audit fee	**86**	59
Others	**2,229**	1,822
	5,456	4,086

15. STAFF COSTS AND DIRECTOR'S EMOLUMENTS

	2015	2014
	¥ million	¥ million
Salaries, bonus and allowances	**51,771**	48,144
Expenses recognised in respect of defined benefit retirement plans	**7**	787
Contribution to defined contribution retirement plans	**803**	505
	52,581	49,436

16. OTHER INCOME

	2015	2014
	¥ million	¥ million
Commission income from vending machines and in-store sales	**4,053**	4,084
Income from forfeiture of unutilised balls and tokens	**265**	343
Income from catering services	**407**	264
Net gain on disposals of used machines	**378**	467
Rental income	**543**	717
Gain on bargain purchases	**–**	754
Reversal of impairment loss on property, plant and equipment	**–**	55
Others	**1,204**	455
	6,850	7,139

17. FINANCE INCOME AND EXPENSES

(a) *Finance income*

	2015 ¥ million	2014 ¥ million
Bank interest income	**54**	44
Dividends income	**65**	23
Foreign exchange gain, net	**1,782**	1,159
Gain from changes in fair value of financial assets measured at fair value through profit or loss	**–**	2,316
Others	**250**	118
	2,151	3,660

(b) *Finance expenses*

	2015 ¥ million	2014 ¥ million
Interest expense	**68**	170
Amortisation of syndicated loan charges	**370**	530
Loss from changes in fair value of financial assets measured at fair value through profit or loss	**1,258**	–
Others	**281**	81
	1,977	781

18. INCOME TAXES

	2015	2014
	¥ million	¥ million
Current tax — Japan Profits Tax		
Provision for the year	**7,023**	13,749
Under-provision in prior years	**11**	440
	7,034	14,189
Current tax — Overseas		
Provision for the year	**13**	35
Deferred tax (Note 38)		
(Reversal of provision)/provision for the year	**1,212**	(847)
Income tax expense	**8,259**	13,377

Under the Tax Reform 2015 announced by The Ministry of Finance of Japan in March 2015, which is applicable to the fiscal year beginning on or after 1 April 2015, the effective corporate tax rate including the corporate income tax, resident tax and business tax, of the Group has reduced as follows:

The tax rate used in Japan is approximately 38% for the year ended 31 March 2014 and 36% for the year ended 31 March 2015.

Hong Kong profits tax included in overseas taxation above has been provided at a rate of approximately 16% on the estimated assessable profit for the year ended 31 March 2015.

18. INCOME TAXES *(Continued)*

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

	2015 **¥ million**	2014 ¥ million
Profit before tax	**19,518**	34,614
Japan Profits Tax rate	**36%**	38%
Tax at the domestic income tax rate	**7,026**	13,153
Tax effect of income that is not taxable	**(206)**	(318)
Tax effect of expenses that are not deductible	**498**	600
Tax effect of temporary differences not recognised	**70**	11
Tax effect of utilisation of tax losses not previously recognised (note)	**–**	(191)
Tax effect of temporary differences not previously recognised (note)	**–**	(318)
Tax effect of recognition of unused tax losses not previously recognised (note)	**–**	(29)
Tax losses not recognised	**197**	12
Under-provision in prior years	**11**	440
Effect of different tax rates of subsidiaries	**(187)**	(646)
Effect of change in tax rate	**674**	826
Others	**176**	(163)
Income tax expense	**8,259**	13,377

Note:

Cabin Plaza has effected an absorption-type merger of Daikokuten and Okuwa Japan on 1 April 2013, with Cabin Plaza as the surviving company and Daikokuten and Okuwa Japan as the dissolving companies. Cabin Plaza is carrying on the same business previously carried on by Daikokuten and Okuwa Japan (i.e. operation of pachinko halls in Japan) and under Japan Tax Law, the surviving company is permitted to inherit the unused tax losses and capital allowances of the dissolved companies given that it is proved that the losses have not been allowed against any assessable profits or income of that company for any such year.

Cabin Plaza has obtained the approval from the Japan Tax authority to inherit the unused tax losses and capital allowances of Daikokuten and Okuwa Japan upon the completion of the merger. As a result, they are deemed to be unused tax losses and capital allowances incurred by Cabin Plaza not previously recognised. During the year, Cabin Plaza recognised the utilisation of tax losses, temporary differences and unused tax losses not previously recognised by Daikokuten and Okuwa Japan amounting to ¥181 million, ¥318 million and ¥29 million respectively.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

19. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND FIVE HIGHEST PAID INDIVIDUALS

(a) *Directors' and chief executive officer's emoluments*

The emoluments of each of the Company's director and chief executive officer were as follows:

Name	Fees ¥ million	Salaries, allowances and benefits in kind ¥ million	Retirement benefit contributions scheme ¥ million	Discretionary bonus ¥ million	Total ¥ million
Year ended 31 March 2015					
Executive director					
Mr. Yoji Sato	–	12.6	–	8.5	21.1
Mr. Kohei Sato *(Chief executive officer)*	–	42.0	–	8.5	50.5
Non-executive director					
Mr. Noriaki Ushijima	–	6.0	–	–	6.0
Independent non-executive director					
Mr. Katsuhide Horiba	–	6.0	–	–	6.0
Mr. Ichiro Takano	–	6.0	–	–	6.0
Mr. Yukio Yoshida	–	6.0	–	–	6.0
Mr. Mitsutoshi Kato	–	5.8	–	–	5.8
Mr. Thomas Chun Kee Yip	–	5.8	–	–	5.8
Total	–	90.2	–	17.0	107.2

19. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) ***Directors' and chief executive officer's emoluments*** *(Continued)*

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
Year ended 31 March 2014					
Executive director					
Mr. Yoji Sato	–	12.2	1.4	8.5	22.1
Non-executive director					
Mr. Noriaki Ushijima	–	6.0	0.1	–	6.1
Independent non-executive director					
Mr. Katsuhide Horiba	–	6.0	0.1	–	6.1
Mr. Ichiro Takano	–	6.0	0.1	–	6.1
Mr. Yukio Yoshida	–	6.0	0.1	–	6.1
Mr. Mitsutoshi Kato	–	5.0	0.1	–	5.1
Mr. Thomas Chun Kee Yip	–	5.0	0.1	–	5.1
Total	–	46.2	2.0	8.5	56.7
Chief executive officer					
Mr. Kohei Sato	–	40.6	1.2	8.5	50.3

Notes:

(i) Mr. Kohei Sato was appointed as an executive director on 26 June 2014.

(ii) Save as disclosed above, there was no arrangement under which a director or chief executive officer waived or agreed to waive any emoluments during the year ended 31 March 2015 (2014: Nil).

19. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals' remuneration

The five highest paid individuals in the Group during the year included one (2014: one) director whose emoluments are reflected in the analysis presented above.

The emoluments of the remaining four (2014: four) individuals are set out below:

	2015 **¥ million**	2014 ¥ million
Salaries and allowances	**90**	86
Discretionary bonus	**22**	22
Retirement benefit contributions scheme	**–**	1
	112	109

The number of highest paid individuals whose remuneration fell within the following bands is as follows:

	2015 **¥ million**	2014 ¥ million
HK$1,500,001 to HK$2,000,000 (equivalent to ¥23,265,016 to ¥31,020,000) (2014: equivalent to ¥19,935,013 to ¥26,580,000)	**4**	2
HK$2,000,001 to HK$2,500,000 (equivalent to ¥31,020,016 to ¥38,775,000) (2014: equivalent to ¥26,580,013 to ¥33,225,000)	**–**	2
HK$2,500,001 to HK$3,000,000 (equivalent to ¥38,775,016 to ¥46,530,000) (2014: equivalent to ¥33,225,013 to ¥39,870,000)	**–**	–
HK$3,000,001 to HK$3,500,000 (equivalent to ¥46,530,016 to ¥54,285,000) (2014: equivalent to ¥39,870,013 to ¥46,515,000)	**–**	–

No remunerations were paid by the Group to any of the directors or chief executive officer or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 March 2015 (2014: Nil).

20. RETIREMENT BENEFIT SCHEMES

The Company and its subsidiaries have defined contribution retirement covers all full-time employees of the Group, depending on its jurisdiction. (see note 37).

For the entity located in Hong Kong, the Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,250 per employee and vest fully with employees when contributed into the MPF Scheme.

21. DIVIDENDS

Dividends declared and paid/payable to its shareholders by:	**2015** Dividend per share ¥	**2015** Total dividends ¥ million	2014 Dividend per share ¥	2014 Total dividends ¥ million
The Company				
— Interim	**7.00**	**5,200**	7.00	5,200
— Final	**7.00**	**5,200**	7.00	5,200
		10,400		10,400

On 28 May 2015, the board of directors declared a final dividend of ¥7.00 per ordinary share of the Company which is payable on 25 June 2015.

22. EARNINGS PER SHARE

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

	2015 **¥ million**	2014 ¥ million
Earnings for the purpose of calculating basic earnings per share	**11,303**	21,255
Weighted average number of ordinary shares	**742,850,360**	742,850,360
Basic earnings per share (¥)	**15.2**	28.6

No diluted earnings per share were presented for the years ended 31 March 2015 and 2014 as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2015 and 2014.

Notes **to the Consolidated Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2015

23. PROPERTY, PLANT AND EQUIPMENT

	Freehold land ¥ million	Buildings including leasehold improvements ¥ million	Tools and equipment ¥ million	Motor vehicles ¥ million	Construction in progress ¥ million	Total ¥ million
Cost						
At 1 April 2013	28,340	122,342	75,855	55	128	226,720
Additions	4	4,008	4,934	79	451	9,476
Transfer	–	133	–	–	(133)	–
Acquisition of subsidiaries	613	665	242	5	5	1,530
Disposals/write off	–	(45)	(535)	–	–	(580)
Translation	5	(2)	(16)	–	–	(13)
At 31 March 2014 and 1 April 2014	28,962	127,101	80,480	139	451	237,133
Additions	–	–	–	–	20,828	20,828
Transfer	385	7,245	8,054	54	(19,803)	(4,065)
Disposals/write off	–	(156)	(1,168)	(27)	(44)	(1,395)
Translation	4	9	26	2	–	41
At 31 March 2015	29,351	134,199	87,392	166	1,432	252,542
Accumulated depreciation and impairment						
At 1 April 2013	2,040	72,433	58,352	42	–	132,867
Charge for the year	–	5,335	4,884	15	–	10,234
(Reversal of impairment loss)/ impairment loss	32	(64)	(23)	–	–	(55)
Disposals/write off	–	(37)	(480)	–	–	(517)
Translation	–	–	(1)	–	–	(1)
At 31 March 2014 and 1 April 2014	2,072	77,667	62,732	57	–	142,528
Charge for the year	–	5,347	4,967	26	–	10,340
Impairment loss	479	247	146	–	–	872
Disposal/write off	–	(102)	(1,031)	(35)	–	(1,168)
Translation	–	1	8	–	–	9
At 31 March 2015	2,551	83,160	66,822	48	–	152,581
Carrying amount						
At 31 March 2015	26,800	51,039	20,570	120	1,432	99,961
At 31 March 2014	26,890	49,434	17,748	82	451	94,605

23. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group's freehold lands are analysed as follows:

	2015	2014
	¥ million	¥ million
Freehold Japan	**26,762**	26,854
South Korea	**40**	36
	26,802	26,890

(b) At 31 March 2015, the carrying amount of tools and equipment and motor vehicles held by the Group under finance leases amounted to ¥1,257 million (2014: ¥1,656 million).

(c) At 31 March 2015, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to ¥2,913 million (2014: ¥27,239 million).

(d) The Group reviewed carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered impairment losses.

In order to determine whether an indicator of impairment exists, property, plant, and equipment are generally grouped by the lowest level that generates independent cash flow. The group considered an individual pachinko hall as a Cash-generating unit ("CGU") based on business activities. The recoverable amount of the CGU is determined from the higher of fair value less costs of disposal and value in use.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted revenue margin and gross pay-ins from customers during the year. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on population rate of the geographical area in which the hall operates. Budgeted revenue margin and gross pay-ins from customers are based on past practices and expectations on market development. Whereas the fair value was valued by DTZ Debenham Tie Leung K.K. ("DTZ"), an independent firm of real estate appraiser.

The rate used to discount the free cash flow projections from the CGU's operating result is as follows:

	2015	2014
	%	%
Discount rate	**7.0**	10.8

24. INTANGIBLE ASSETS

	Trademarks ¥ million	Computer software ¥ million	Total ¥ million
Cost			
At 1 April 2013	19	4,404	4,423
Additions	3	514	517
Acquisition of subsidiaries	1	28	29
Write off	–	(590)	(590)
At 31 March 2014 and 1 April 2014	23	4,356	4,379
Additions	1	219	220
Write off	–	(26)	(26)
At 31 March 2015	24	4,549	4,573
Accumulated amortisation and impairment			
At 1 April 2013	7	3,005	3,012
Amortisation for the year	2	531	533
Write off	–	(574)	(574)
Impairment loss	–	–	–
At 31 March 2014 and 1 April 2014	9	2,962	2,971
Amortisation for the year	2	582	584
Write off	–	(12)	(12)
Impairment loss	–	1	1
At 31 March 2015	11	3,533	3,544
Net book value			
At 31 March 2015	13	1,016	1,029
At 31 March 2014	14	1,394	1,408

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 ¥ million	2014 ¥ million
Equity securities at fair value, listed in Hong Kong	**7,132**	14,490
Equity securities at fair value, listed in Japan	**647**	923
Others	**1,028**	–
	8,807	15,413

Listed and unlisted securities classified as Available-for-sales financial assets are measured at fair value.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 ¥ million	2014 ¥ million
Equity securities at fair value, listed in Hong Kong	**2,925**	3,875

27. OTHER NON-CURRENT ASSETS

	2015 ¥ million	2014 ¥ million
Pre-paid rental expenses	**4,096**	4,091
Rental deposits	**5,510**	5,435
Pre-paid lender commitment fee	**271**	315
Others	**1,585**	1,582
	11,462	11,423

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

28. INVENTORIES

	2015 ¥ million	2014 ¥ million
Supplies	**1,744**	850
Properties held for future development and under development for sale	**2,155**	821
Others	**594**	130
Total	**4,493**	1,801

29. PRIZES IN OPERATION OF PACHINKO HALLS

	2015 ¥ million	2014 ¥ million
G-prize	**3,354**	3,071
General prize	**938**	1,253
Total	**4,292**	4,324

30. OTHER CURRENT ASSETS

	2015 ¥ million	2014 ¥ million
Rental fee prepayments	**1,872**	1,991
Withholding tax receivables	**3,901**	2,161
Others	**1,515**	1,395
	7,288	5,547

31. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents are as follows:

	2015 ¥ million	2014 ¥ million
Cash on hand	**4,787**	5,031
Cash at bank	**24,452**	29,805
Cash and cash equivalents	**29,239**	34,836

As at 31 March 2015, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to ¥37 million (2014: ¥60 million). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2015 ¥ million	2014 ¥ million
JPY	**24,923**	26,883
HKD	**1,382**	3,637
USD	**2,840**	4,233
Others	**94**	83
	29,239	34,836

32. TRADE AND OTHER PAYABLES

	2015 **¥ million**	2014 ¥ million
Trade payables	**1,287**	1,722
Halls construction and system payables	**4,000**	3,737
Other tax expenses	**3,801**	2,155
Pachinko and pachinslot machine payables	**2,922**	1,971
Accrued staff costs	**7,734**	8,251
Others	**724**	1,213
	20,468	19,049

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

	2015 **¥ million**	2014 ¥ million
1 to 30 days	**1,211**	1,697
31 days to 60 days	**60**	1
Over 60 days	**16**	24
	1,287	1,722

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 **¥ million**	2014 ¥ million
Interest rate swap contracts, at fair value	**–**	130
Less: Current portion	**–**	(47)
Non-current portion	**–**	83

33. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The fair value of the interest rate swap contracts as at 31 March is based on the valuation performed by AVISTA , an independent qualified professional valuer. The methodology adopted is Discounted Cash Flow Method using the applicable yield curve for the duration of the interest rate swap contracts. Gain from changes in fair value of interest rate swap contracts is as follows:

	2015	2014
	¥ million	¥ million
Gain from changes in fair value of interest rate swap contracts	**–**	(1)

34. BORROWINGS

	2015	2014
	¥ million	¥ million
Bank loans	**3,740**	2,222
Syndicated loans	**8,580**	2,102
	12,320	4,324

The borrowings are repayable as follows:

	2015	2014
	¥ million	¥ million
On demand or within one year	**3,160**	1,265
In the second year	**159**	1,001
In the third to fifth years, inclusive	**5,622**	1,608
After five years	**3,379**	450
	12,320	4,324
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(3,160)**	(1,265)
Amount due for settlement after 12 months	**9,160**	3,059

34. BORROWINGS *(Continued)*

Notes:

(i) The weighted average interest rates per annum as at 31 March were set out as follows:

	2015 **%**	2014 %
Bank loans	**0.6**	1.8
Syndicated loans	**0.6**	1.8

(ii) The borrowings as at 31 March were secured by the following:

	2015 **¥ million**	2014 ¥ million
Property, plant and equipment	**2,913**	27,239

(iii) All carrying amount of the borrowings at 31 March 2015 and 31 March 2014 is arranged at floating interest rate and exposes the Group to cash flow interest rate risk.

35. FINANCE LEASES PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2015 **¥ million**	2014 ¥ million	**2015** **¥ million**	2014 ¥ million
Within one year	**260**	895	**254**	869
In the second to fifth years, inclusive	**68**	338	**66**	332
	328	1,233	**320**	1,201
Less: Future finance charges	**(8)**	(32)	**–**	–
Present value of lease obligations	**320**	1,201	**320**	1,201
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(254)**	(869)
Amount due for settlement after 12 months			**66**	332

It is the Group's policy to lease certain of its tools and equipment and motor vehicles under finance leases. The average lease term is 5 years (2014: 5 years). The weighted average borrowing rate per annum at 31 March 2015 was 3.6% (2014: 3.9%). All finance lease payables are arranged at fixed rates thus expose the Group to fair value interest rate risk and no arrangements have been entered into for contingent rental payments.

36. OTHER CURRENT LIABILITIES

	2015 ¥ million	2014 ¥ million
Unutilised balls and tokens and unused pre-paid IC cards	**4,103**	2,730
Others	**1,066**	347
	5,169	3,077

37. RETIREMENT BENEFIT OBLIGATIONS

The Group has defined contribution retirement plans for directors, executive officers and full-time employees.

(a) Movements in the liability recognised in the consolidated statement of financial position are as follows:

	2015 ¥ million	2014 ¥ million
At 1 April	**63**	1,869
Amounts recognised in profit or loss:		
Current service cost	**5**	202
Interest cost	**–**	31
Losses on curtailments	**–**	151
Losses on settlements	**2**	403
Acquisition of subsidiaries	**–**	60
Benefit paid	**(2)**	(114)
Benefit paid for Transfer to other liabilities upon the curtailment of defined benefit retirement plans	**(68)**	(2,553)
Transfer from Dynam Holdings	**–**	6
Actuarial losses	**–**	8
At 31 March	**–**	63

The Group had abolished the defined benefit retirement plans for directors, executive officers and full-time employees on 1 September 2014.

(b) The defined benefit retirement plans of the Group are measured by projected unit credit method with reference to the valuation performed by Asuku Actuarial Office Inc., an independent qualified professional valuer.

37. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

(c) Expense recognised in profit or loss during the year is as follows:

	2015	2014
	¥ million	¥ million
Current service cost	**5**	202
Interest cost	**–**	31
Losses on curtailments	**–**	151
Losses on settlements	**2**	403
	7	787

(d) Item recognised in other comprehensive income during the year is as follows:

	2015	2014
	¥ million	¥ million
Actuarial losses recognised	**–**	8

(e) The principal actuarial assumptions adopted at each of the reporting period are as follows:

	2015	2014
	%	%
Discount rate	**–**	0.7396
Future salary increases	**–**	0.9700

38. DEFERRED TAX

	Property, plant and equipment ¥ million	Staff costs ¥ million	Unutilised balls and tokens ¥ million	Pre-paid rent ¥ million	Pachinko and pachislot machines ¥ million	Others ¥ million	Total ¥ million
At 1 April 2013	(1,173)	2,669	–	1,188	6,310	1,387	10,381
Acquisition of subsidiaries	236	111	–	–	–	422	769
Credit/(charge) to equity for the year	–	3	–	–	–	(6)	(3)
Credit/(charge) to profit or loss for the year (Note 18)							
— origination and reversal of temporary differences	272	114	229	99	1,157	(198)	1,673
— effect of change in tax rate	(3)	(170)	(19)	–	(526)	(108)	(826)
At 31 March 2014 and 1 April 2014	**(668)**	**2,727**	**210**	**1,287**	**6,941**	**1,497**	**11,994**
— Credit/(charge) to equity for the year	**–**	**(1)**	**–**	**–**	**–**	**(2)**	**(3)**
Credit/(charge) to profit or loss for the year (Note 18)							
— origination and reversal of temporary differences	**597**	**(459)**	**107**	**133**	**(138)**	**(771)**	**(531)**
— effect of change in tax rate	**(32)**	**(142)**	**(18)**	**(20)**	**(427)**	**(42)**	**(681)**
At 31 March 2015	**(103)**	**2,125**	**299**	**1,400**	**6,376**	**682**	**10,779**

38. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances for consolidated statement of financial position purposes:

	Hong Kong		JAPAN		Total	
	2015	2014	**2015**	2014	**2015**	2014
	¥ million	¥ million	**¥ million**	¥ million	**¥ million**	¥ million
Deferred tax assets:						
— Deferred tax assets to be recovered after more than 12 months	**–**	–	**10,337**	6,873	**10,337**	6,873
— Deferred tax assets to be recovered within 12 months	**–**	–	**8,496**	6,170	**8,496**	6,170
Deferred tax liabilities:						
— Deferred tax liability to be recovered after more than 12 months	**(174)**	(380)	**(7,493)**	(626)	**(7,667)**	(1,006)
— Deferred tax liability to be recovered within 12 months	**(1)**	–	**(386)**	(43)	**(387)**	(43)
	(175)	(380)	**10,954**	12,374	**10,779**	11,994

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised.

In assessing the amount of deferred income tax assets that need to be recognised, the Group considers expected reversal of deferred tax liabilities, future taxable income and ongoing prudent and feasible tax planning strategies.

At 31 March 2015, the Group has unused tax losses of ¥692 million (2014: ¥152 million) for which no deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The Group's tax losses will expire in one to 9 years from 31 March 2015.

39. PROVISIONS

	Asset retirement obligation (Note (i)) ¥ million	Staff vacation payable (Note (ii)) ¥ million	Total ¥ million
At 1 April 2013	3,605	1,438	5,043
Acquisition of subsidiaries	–	121	121
Provision for the year	105	60	165
Changes in present value	77	–	77
At 31 March 2014	3,787	1,619	5,406
Provision/(reversal of provision) for the year	233	(9)	224
Changes in present value	80	–	80
At 31 March 2015	**4,100**	**1,610**	**5,710**

Analysed as:

	2015 **¥ million**	2014 ¥ million
Current liabilities	**1,610**	1,619
Non-current liabilities	**4,100**	3,787
	5,710	5,406

Notes:

(i) The asset retirement obligation represents the estimated costs arising from contractual obligations to a landlord to dismantle and remove leasehold improvements and certain fixed assets at the end of the lease contracts. These costs are expected to be paid in after estimated usage period of fixed assets, but will be affected by the future business plans.

(ii) Staff vacation payable represents leave entitlements of employees entity expects to pay as a result of unused leave entitlements at the end of the period.

40. OTHER NON-CURRENT LIABILITIES

	2015	2014
	¥ million	¥ million
Retirement benefit payables	**713**	1,257
Others	**289**	288
	1,002	1,545

41. SHARE CAPITAL

The numbers of the Company's shares authorised and issued are as follows:

	Note	**Number of ordinary shares**	**¥ million**
Authorised:			
At 31 March 2014, and 1 April 2014		2,520,000,000	–
At 31 March 2015		2,520,000,000	–
Issued and fully paid:			
At 31 March 2014, 1 April 2014 and 31 March 2015		742,850,360	15,000

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 ¥ million	2014 ¥ million
Investments in subsidiaries		**61,141**	63,640
Other non-current assets		**666**	682
Due from subsidiaries — current portion	(i)	**27,008**	17,902
Other current assets		**15,375**	14,833
Due to subsidiaries — current portion	(ii)	**(4,722)**	(11,626)
Current tax liabilities		**(214)**	(407)
Other current liabilities		**(3,194)**	(217)
Other non-current liabilities		**(168)**	(159)
		95,892	84,648
Share capital		**15,000**	15,000
Reserves		**80,892**	69,648
TOTAL EQUITY		**95,892**	84,648

Notes:

(i) Due from subsidiaries — current portion

(a) Included in the current portion of the amounts due from subsidiaries was an amount of ¥27,001 million (2014: ¥17,895 million) which is unsecured, interest bearing at fixed interest rates of 12-month TIBOR plus 1% per annum at contract dates, thus exposing the Company to fair value interest rate risk and is repayable at the specific dates.

(b) The remaining current portion of the amounts due from subsidiaries as at 31 March 2015 represents non-interest bearing balance and is trade in nature.

(ii) Due to subsidiaries — current portion

(a) Included in the current portion of the amounts due to subsidiaries was an amount of ¥4,702 million (2014: ¥11,611 million) which is unsecured, interest bearing at interest rates of ordinary deposit per annum presented by Sumitomo Mitsui Banking Corporation , thus exposing the Company to fair value interest rate risk and has no fixed term of repayment.

(b) The remaining current portion of the amounts due to subsidiaries as at 31 March 2015 represents non-interest bearing balance and is trade in nature.

Notes **to the Consolidated Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2015

43. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Capital reserve (Note 43(c)) ¥ million	Retained earnings ¥ million	Other reserves ¥ million	Total ¥ million
At 1 April 2013	54,748	14,604	(2)	69,350
Total comprehensive income for the year	–	10,884	–	10,884
Transfer upon the curtailment of defined benefit plans	–	(2)	2	–
2014 dividend paid	–	(10,586)	–	(10,586)
At 31 March 2014 and 1 April 2014	**54,748**	**14,900**	**–**	**69,648**
Total comprehensive income for the year	**–**	**21,644**	**–**	**21,644**
Transfer upon the curtailment of defined benefit plans	**–**	**–**	**–**	**–**
2015 dividend paid	**–**	**(10,400)**	**–**	**(10,400)**
At 31 March 2015	**54,748**	**26,144**	**–**	**80,892**

(c) Nature and purpose of reserves

The Capital reserve consists of Capital surplus and Legal reserve.

(i) Capital surplus

Under the Company Law of Japan (the "Japan Company Law"), certain percentage of the proceeds from the issuance of share capital shall be credited to the share capital and the remaining of the proceeds shall be credited capital surplus (known as "additional paid-in capital"). Upon approval of the general meeting of shareholders, the additional paid-in capital would be transferred back to the share capital.

43. RESERVES *(Continued)*

(c) Nature and purpose of reserves (Continued)

(ii) **Legal reserve**

The Japan Company Law provides that a 10% dividend of retained earnings shall be appropriated as legal reserve (a component of either capital surplus or retained earnings) until an aggregate amount of additional paid-in capital and legal reserve equals 25% of share capital. The legal reserve may be used to reduce a deficit or transfer to retained earnings upon approval of the general meeting of shareholders.

(d) Basis for profit appropriation

In accordance with the Companies Act, the distributable reserves are determined based on the retained profits and other capital surplus recorded in the Company's non-consolidated financial statements prepared in accordance with Japanese Generally Accepted Accounting Principles.

44. OTHER COMPREHENSIVE INCOME

	Amount recorded during the year ¥ million	Reclassification adjustment ¥ million	Amount before income tax ¥ million	Income tax effect ¥ million	Amount after income tax ¥ million
At 31 March 2015					
Changes in fair value of available-for-sale financial assets	(8,979)	–	(8,979)	21	(8,958)
Exchange differences on translating foreign operations	1,143	–	1,143	–	1,143
Remeasurements on defined benefit retirement plans	–	–	–	(1)	(1)
Total	(7,836)	–	(7,836)	20	(7,816)

44. OTHER COMPREHENSIVE INCOME *(Continued)*

	Amount recorded during the year ¥ million	Reclassification adjustment ¥ million	Amount before income tax ¥ million	Income tax effect ¥ million	Amount after income tax ¥ million
At 31 March 2014					
Changes in fair value of available-for-sale financial assets	5,720	–	5,720	(6)	5,714
Exchange differences on translating foreign operations	512	–	512	–	512
Remeasurements on defined benefit retirement plans	(8)	–	(8)	3	(5)
Total	6,224	–	6,224	(3)	6,221

45. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2015 are as follows:

Name of subsidiary	**Place/date of incorporation/ establishment**	**Issued and paid up capital**	**Percentage of ownership interest/ voting power/ profit sharing 2015**	**2014**	**Principal activities**
Directly held					
Dynam	Japan 25 July 1967	¥5,000,000,000	**100%**	100%	Operation of pachinko halls
Cabin Plaza	Japan 25 May 1988	¥10,000,000	**100%**	100%	Operation of pachinko halls
Dynam Business Support	Japan 31 October 2003	¥1,020,000,000	**100%**	100%	Real estate and property management Provision of accounting and administration services
Shinrainomori Association (Note (i))	Japan 3 December 2008	–	**100%**	100%	Supporting arm of a franchise chain under Shinrainomori to undertake non-profit brand-building activities
Dynam Hong Kong Co., Limited	Hong Kong 7 January 2013	HK$500,000,000	**100%**	100%	Investment holding Clearing services for Pachinko Halls

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			2015	2014	
Directly held (Continued)					
Humap	Japan 1 November 1982	¥100,000,000	**100%**	100%	Operation of restaurants
Business Partners	Japan 11 January 2011	¥30,000,000	**100%**	100%	Office cleaning services Manufacture and sales of household supplies
Indirectly held					
Kanto Daido	Japan 22 January 1992	¥50,000,000	**100%**	100%	Trading of pachinko machines
Shinrainomori	Japan 3 December 2008	¥10,000,000	**100%**	100%	–
Rich-O Korea	South Korea 27 February 2006	KRW675,000,000	**100%**	100%	Trading of LCD monitors
Erin Int'l	Mongolia 30 May 2003	MNT3,254,222,125	**87.61%**	87.61%	Operation of international freight forwarding services and contracting services for construction works, property transactions and management services
Beijing GEO	PRC 4 August 2004	RMB32,050,300	**100%**	100%	Sales of coffee beans
Genghis Khan	Japan 13 November 2003	¥47,000,000	**100%**	100%	Travel agency
P Insurance	Japan 28 January 2005	¥10,000,000	**100%**	100%	Insurance agency

Notes:

(i) Shinrainomori Association is a general incorporation association organised under the GIA/GIF Law in Japan. Under the GIA/GIF Law, there is no concept of shareholding nor equity interest in a general incorporation association.

46. MATERIAL NON-CASH TRANSACTIONS

The Group did not have any material non-cash transactions for the year ended 31 March 2015 (2014: ¥79 million, which was financed by finance lease).

47. CONTINGENT LIABILITIES

At 31 March 2015, the Group did not have any significant contingent liabilities (2014: Nil).

48. CAPITAL COMMITMENTS

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

	2015	2014
	¥ million	¥ million
Contracted but not provided for	**870**	1,221
Approved but not contracted for	**13,982**	10,986
	14,852	12,207

49. LEASE COMMITMENTS

(a) Lessee

At 31 March 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	¥ million	¥ million
Within one year	**783**	1,400
In the second to fifth years, inclusive	**1,781**	1,870
After five years	**1,018**	939
	3,582	4,209

The Group leases certain land and buildings under operating leases. The leases typically run for an initial average period of 20 years (2014: 20 years). The Group has the option to cancel the leases on payment of a penalty at various stages of the initial lease periods depending on the terms of the specific leases concerned.

49. LEASE COMMITMENTS *(Continued)*

(a) ***Lessee*** *(Continued)*

Lease payments during the year are as follows:

	2015	2014
	¥ million	¥ million
Lease payments		
Land and Buildings	**9,731**	10,649

50. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

51. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 28 May 2015.

Definitions

In this Annual Report, 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
"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)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of this report, means the controlling Shareholders of our Company, namely Mr. Yoji SATO, Rich-O, and each of the Sato Family Members
"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 Group" or "Group"	the Company and its subsidiaries at the relevant point in time

“Dynam Holdings”	DYNAM Holdings Co., Ltd.* (株式会社ダイナムホールデイングス), a stock company incorporated in Japan with limited liability on 15 December 1987 under the Companies Act (registration number 0115-01-010630)
“Dynam Hong Kong”	Dynam Hong Kong Co., Ltd.*, a stock company incorporated in Hong Kong with limited liability on 7 January 2013 (registration number 1848306). Dynam Hong Kong is a wholly-owned subsidiary of the Company
“EBITDA”	earning before interest, taxes, depreciation and amortization
“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% through Dynam Hong Kong by the Company
“GEM Board”	the Growth Enterprise Market of the stock exchange (excluding the option market) operated by the Stock Exchange which is independent of and operated in parallel with the Main Board
“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% through Humap Japan by the Company
“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)
“G-prize”	a decorative plastic card with a small embedded piece of gold or silver or a small coin-shaped pendant of gold or silver
“gross pay-ins”	the amount received from pachinko balls and pachislot tokens rented to customers less unutilised balls and tokens
“gross payouts”	the aggregate cost of G-prizes and general prizes exchanged by customers for pachinko balls or pachislot tokens collected at halls
“high playing cost halls" or "traditional halls”	our hall type primarily featuring high playing cost machines and mainly operating under the brand of DYNAM and including two 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

Definitions

'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). Humap Japan is a wholly-owned subsidiary of the Company
"ICT"	information and communication technology
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
"IGG"	IGG Inc, a company incorporated in Cayman Islands and engaged in the development of online game software, and the operation of online games. IGG shares are listed on the GEM Board (Stock Code: 08002)
"Individual Ball Counter System"	The system for counting balls and tokens introduced at each machine at each of our halls
"Japan Productivity Center"	a public interest incorporated foundation (koueki zaidan houjin) established in 1955 under the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations (koueki shadan houjin oyobi koueki zaidan houjin tou no nintei ni kansuru houritsu) to promote the productivity in Japan's industrial society and in improving the quality of people's lives
"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). Kanto Daido is held as to 100% through Humap Japan by the Company
"Leisure White Paper"	Research report on leisure industry and its market trend published by Japan Productivity Center
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"low playing cost 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 seven 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
"Macau"	The Macau Special Administrative Region of the PRC
"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 Stock Exchange which is independent of and operated in parallel with the GEM Board

"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 10.77% of our entire issued share capital
"online game"	the gaming technology that is run by connecting players to play games over a computer network
"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
"Pachinko Chain Stores Association" or "PCSA"	Pachinko Chain Stores Association* (パチンコ•チェーンストア協会), a leading industry organization in the pachinko industry of Japan, promoting pachinko as a mean of entertainment and leisure among the general public in Japan
"pachislot tokens" or "tokens"	small metal tokens used to play pachislot games
"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). P Insurance is held as to 100% through Humap Japan by the Company
"PRC"	The People's Republic of China, excluding, for the purpose of this Annual Report, Hong Kong, Macau and Taiwan
"Pre-paid IC card"	a card purchased by pachinko hall customers to store cash value, which can be used to rent pachinko balls or pachislot tokens
"P-World"	a pachinko hall information portal site
"Remuneration Committee"	remuneration committee of the Company

Definitions

"Reporting Period"	the period from 1 April 2014 to 31 March 2015
"Rich-O"	Rich-O Co., Ltd.* (リツチオ株式会社), 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). Rich-O Korea is held as to 100% through Dynam Hong Kong by the Company
"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
"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 (registration number 0115-01-014420). Shinrainomori is held as to 100% through Dynam Business Support by the Company
"*Shinrai no Mori*" (信頼の森)	our pachinko hall brand and hall type featuring primarily low playing cost games in a non-smoking environment with reduced noise levels, space for players to relax and socialise, and a larger selection of general prizes
"Shinrainomori Association"	General Incorporated Association Shinrainomori* (一般社団法人信頼の森), a general incorporated association (ippan shadan houjin 一般社団法人) established in Japan on 3 December 2008 under the GIA/GIF Law (registration number 0115-05-001319)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial Shareholders"	Has the meaning ascribed to it under the Listing Rules
"X-Golf Japan"	X-GOLF JAPAN Co., Ltd.* (株式会社 X-GOLF JAPAN), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 1 June 2011 (registration number 0115-01-016810). X-Golf Japan is held as to 100% through Dynam Business Support by the Company
"*Yuttari Kan*" (ゆったり館)	our pachinko hall brand and hall type featuring primarily low playing cost machines, where smoking is allowed

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.*