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

(incorporated in Japan with limited liability)

(STOCK CODE: 06889)

ANNUAL REPORT 2013

* For identification purpose only

DYNAM 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.

Five Management Policies

Principle of Customers First

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

Information Disclosure

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

Chain Store Management

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

Training of Human Resources

The DYNAM Group trains human resources and uses their collective energy

Social Contribution

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

Three Principles of Actions

1. The DYNAM Group complies with laws and regulations and rules, and deals with people respectfully.
2. The DYNAM Group takes decisive actions and value team work.
3. The DYNAM Group confirms the actual situation on site, and presents it using numerical expressions.

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 "DYNAM Group" or 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 INFORMATION

BASIC INFORMATION

Chief Executive Officers	Yoji SATO Kohei SATO
Executive Director	Yoji SATO *(Chairman of the Board)*
Non-executive Director	Noriaki USHIJIMA
Independent Non-executive Directors	Katsuhide HORIBA Ichiro TAKANO Yukio YOSHIDA Mitsutoshi KATO Thomas Chun Kee YIP
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
Joint Company Secretaries	Go UMEHARA Ming Wai MOK, *FCIS FCS*
Authorised Representatives	Mitsutoshi KATO Ming Wai MOK
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: dynamjapan_ir@dyjh.co.jp
Stock Code	6889
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Advisor	Shenyin Wanguo Capital (H.K.) Limited
Principal Legal Advisor as to Hong Kong Law	Deacons
Principal Legal Advisor as to Japanese Law	Soga Law Office
Auditor	RSM Nelson Wheeler *(Certified Public Accountants)*
Principal Bankers	Mizuho Bank Ltd. Sumitomo Mitsui Banking Corporation
Investor and Media Relations Consultant	Strategic Financial Relations Limited

CORPORATE INFORMATION

OUR HISTORY AND DEVELOPMENT

We have almost 46 years of operating history and we are the second largest pachinko hall operator in Japan in terms of the total value of pachinko balls and pachislot tokens rented in 2012 and the largest in terms of number of halls according to Yano Research [*1]. Our network of pachinko halls includes our *DYNAM* (ダイナム), *Yuttari Kan* (ゆったり館), *Shinrai no Mori* (信頼の森) brands. Over the course of our business history, we have been continuously adapting to the changing preferences of our pachinko players.

Our origins date back to 1967 when Sawa Shoji Co., Ltd. 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 Co., Ltd. [*2] (株式会社ダイナム), 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 46 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 [*3] 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.

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.[*2] (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. 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). Subsequently, 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.

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 game 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 under served by our network.

In September 2011, DYNAM JAPAN HOLDINGS Co., Ltd.[*2] (株式会社ダイナムジャパンホールディングス) (the "Company", "our", "we" or "us") was established through incorporation-type company split of Dynam Holdings Co., Ltd.. At the same time, we acquired interests of eight subsidiaries of Dynam Holdings Co., Ltd. and the business and assets of our pachinko hall operations were consolidated into our Group.

On 6 August 2012, we became the first Japan-incorporated company primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange" or "Stock Exchange").

In January 2013, we incorporated Dynam Hong Kong Co., Limited, 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.

Under the leadership of Mr. Sato, our pachinko operations have expanded from two pachinko halls in Tokyo in 1970 to 362 halls in 46 prefectures across Japan, as at 31 March 2013.

*1 Yano Research Institute Limited, a private marketing research and consulting firm

*2 For identification purpose only

*3 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.

CORPORATE INFORMATION

Key Business Milestones

The key milestones of the business development of our Group are:

Year	Events
1967	Mr. Yohei SATO founded Sawa Shoji Co., Ltd. in Tokyo, Japan Our pachinko hall operations began as we opened our first halls in Kameari and Kanamachi, Tokyo
1970	Mr. Sato succeeded his interests in Sawa Shoji Co., Ltd. from Mr. Yohei SATO
1978	Mr. Sato took control of the business operation of Sawa Shoji Co., Ltd. and became its president and representative director
1987	Sawa Shoji Co., Ltd. was renamed as DYNAM Co., Ltd. Dynam Holdings Co., Ltd. (previous “Rich-O Co., Ltd.”) was established
1989	Our first suburban pachinko hall opened
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

Year	Events
2001	We built a new head-office building in Nishi-nippori, Tokyo and relocated the head office The number of pachinko halls in our network reached 100
2004	The number of our pachinko halls reached 200
2006	We acquired 100% ownership of DYNAM Co., Ltd. and its subsidiaries through a stock swap
2007	We began to actively promote lower-priced games and a wider selection of general prizes under our *Yuttari Kan* (ゆったり館) brand
2008	The number of our *Yuttari Kan* (ゆったり館) halls exceeded 100
2009	We launched our first *Shinrai no Mori* pachinko hall We acquired Cabin Plaza and Daikokuten, adding six pachinko halls The number of our pachinko halls reached 300
2010	We acquired Okuwa Japan, adding two pachinko halls
2011	DYNAM JAPAN HOLDINGS Co., Ltd. was established through incorporation-type company split of Dynam Holdings Co., Ltd.
2012	We became the first Japan-incorporated company primarily listed on the Main Board of the Hong Kong Stock Exchange
2013	We incorporated Dynam Hong Kong Co., Limited, a wholly-owned subsidiary in Hong Kong

CORPORATE INFORMATION

OUR GROUP ORGANIZATION

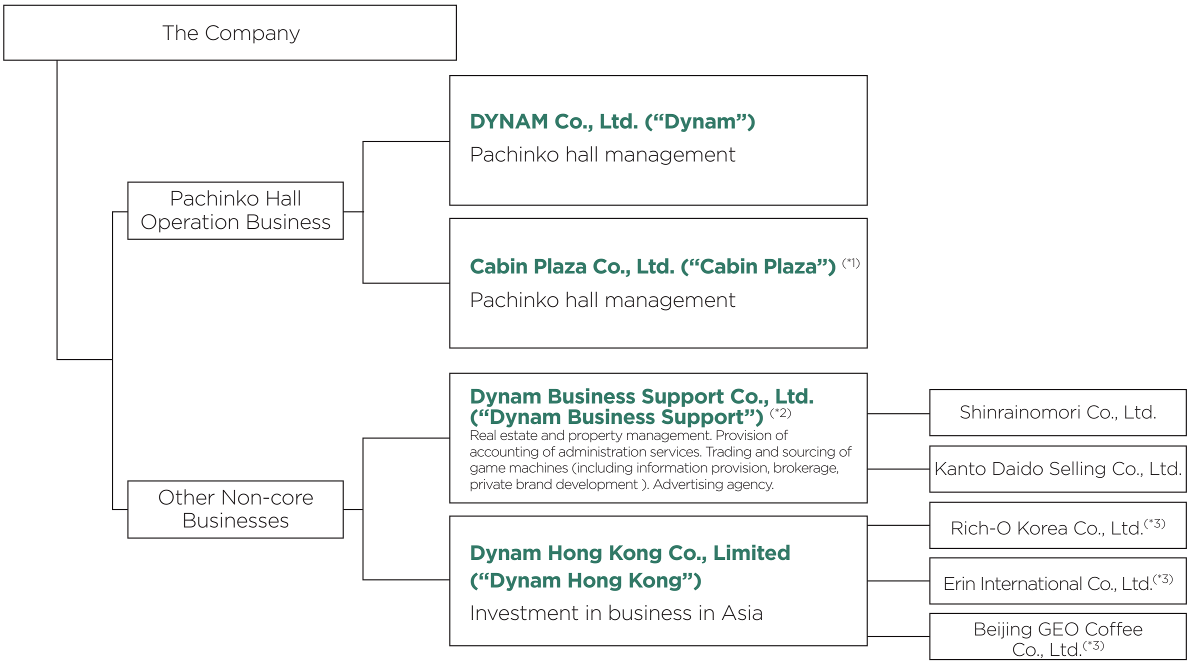
As at 31 March 2013

- The Company
  - Pachinko Hall Operation Business
    - **DYNAM Co., Ltd.* (株式会社ダイナム)**
      Pachinko hall management
    - **Cabin Plaza Co., Ltd.* (株式会社キャビンプラザ)**
      Pachinko hall management
    - **Daikokuten Co., Ltd.* (大黒天株式会社)**
      Pachinko hall management
    - **Okuwa Japan Co., Ltd.* (株式会社オークワジャパン)**
      Pachinko hall management
  - Other Non-core Businesses
    - **DYNAM Land & Building Co., Ltd.* (株式会社ダイナム土地建物)**
      Real estate and property management
      - Shinrainomori Co., Ltd.*（株式会社信頼の森）
    - **DYNAM Data Processing Co., Ltd.* (株式会社ダイナム情報処理)**
      Provision of accounting of administration services
    - **Dynam P Trading Co., Ltd.* (株式会社ダイナムPトレーディング)**
      Trading and sourcing of game machines (including information provision, brokerage, private brand development)
      - Kanto Daido Selling Co., Ltd.*（株式会社関東大同販売）
    - **Dynam Advertisement Planning Co., Ltd.* (株式会社ダイナムアド企画)**
      Advertising agency
    - **Dynam Hong Kong Co., Limited**
      Investment in business in Asia

* For identification purpose only

After 1 April 2013

We reorganized our subsidiaries as at 1 April 2013 through merger and consolidation of 4 subsidiaries and 3 hall operating companies with a goal of 1,000 hall organization in the year 2023.



*1 On 1 April 2013, Cabin Plaza has effected an absorption-type merger of Daikokuten Co., Ltd. and Okuwa Japan Co., Ltd. which were subsidiaries of the Company. As a result, Cabin Plaza is currently operating totally nine halls.

*2 Dynam Business Support on 1 April 2013, subject to the predecessor DYNAM Land & Building Co., Ltd. ("DYNAM Land & Building") being a surviving company, DYNAM Land & Building has effected an absorption-type merger of DYNAM Data Processing Co., Ltd. ("DYNAM Data Processing"), Dynam P Trading Co., Ltd. ("Dynam P Trading") and Dynam Advertisement Planning Co., Ltd. ("Dynam Advertisement Planning") all of which were subsidiaries of the Company as well as DYNAM Land & Building. Upon the above merger, DYNAM Land & Building has changed its business name to Dynam Business Support Co., Ltd..

Dynam Business Support has taken over all of each company's business and function.

Dynam Business Support will increase its expertise on each field, enhance the function to optimize and manage assets and expenses and improve the function to support game machine effective utilization and sales promotion in all companies of the Group.

*3 The acquisitions of Rich-O Korea Co., Ltd. and Beijing GEO Coffee Co., Ltd. were completed on 5 April 2013 and 1 May 2013 respectively. The acquisition of Erin International Co., Ltd. was still in process as at the date of this annual report. Details of the acquisitions are set out in the Company's announcements dated 25 April 2013 and 9 May 2013 respectively.

FINANCIAL HIGHLIGHTS

	Year ended 31 March					
	2013		2012		2011	2010
	(in millions)					
	¥	**HK$**	¥	HK$	¥	¥
Gross pay-ins	**929,158**	**76,600**	908,309	85,368	859,882	862,023
Less: gross payouts	**(765,197)**	**(63,083)**	(743,231)	(69,853)	(690,245)	(696,562)
Revenue	**163,961**	**13,517**	165,078	15,515	169,637	165,461
Other income	**9,250**	**763**	6,572	617	6,962	6,898
Hall operating expenses	**(133,904)**	**(11,039)**	(138,785)	(13,043)	(144,239)	(134,787)
General and administrative expenses	**(3,112)**	**(257)**	(1,754)	(164)	(934)	(642)
Other operating expenses	**(1,906)**	**(157)**	(874)	(81)	(813)	(1,188)
Profit from operations	**34,289**	**2,827**	30,237	2,844	30,613	35,742
Finance costs	**(853)**	**(70)**	(1,833)	(172)	(2,137)	(2,442)
Profit before tax	**33,436**	**2,757**	28,404	2,672	28,476	33,300
Income tax expense	**(12,511)**	**(1,031)**	(12,506)	(1,175)	(12,285)	(13,086)
Profit for the year attributable to owners of the Company	**20,925**	**1,726**	15,898	1,497	16,191	20,214
Earnings per share attributable to ordinary equity holders of the Company						
Basic	**¥29.7**	**HK$2.4**	¥25.2	HK$2.4	¥25.7	¥32.0
Diluted	**N/A**	**N/A**	N/A	N/A	N/A	N/A

	At 31 March					
	2013		2012		2011	2010
	(in millions)					
	¥	**HK$**	¥	HK$	¥	¥
Non-current assets	**117,309**	**9,671**	119,590	11,241	132,161	133,987
Current assets	**50,568**	**4,168**	36,871	3,467	34,766	32,971
Current liabilities	**30,694**	**2,530**	33,384	3,139	45,020	55,747
Net current assets/ (liabilities)	**19,874**	**1,638**	3,487	328	(10,254)	(22,776)
Total assets less current liabilities	**137,183**	**11,309**	123,077	11,569	121,907	111,211
Non-current liabilities	**11,356**	**936**	29,603	2,783	36,537	39,282
Total equity	**125,827**	**10,373**	93,474	8,786	85,370	71,929

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 rates (as the case may be) described below:

1. ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013); or

2. ¥10.64 to HK$1.00, the exchange rate prevailing on 30 March 2012 (i.e. the last business day in March 2012).

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.

CHAIRMAN'S STATEMENT

The Company is a holding company which directly controls shares of 4 subsidiaries, including Dynam who operates the largest number of pachinko halls in Japan, Cabin Plaza which is another pachinko operator(*1), Dynam Business Support which is a service provider that supports our pachinko hall operation(*2) and Dynam Hong Kong.

The Company was listed on the Main Board of the Hong Kong Stock Exchange last August and I would like to report the annual results to all parties in trust for the first time since we became public.

Yoji SATO
Chairman of the Board and Chief Executive Officer

Dear Shareholders,

I would like to express my sincere gratitude for continuous support from our stakeholders, including our Shareholders, financial institutions and our customers.

The first Japan-incorporated company listed on the Main Board of the Hong Kong Stock Exchange

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 6 August 2012. The Company became the first Japanese company with its primary listing on the Stock Exchange and became the first listed company all over the world as pachinko hall operator.

We chose Hong Kong for the reasons as follows:

(1) Hong Kong is fully globalized and the Company shall have global reputation after listing in Hong Kong through evaluation based on international standards;

(2) When we consider our future growth, we need to expand our business to Asian market. We took Hong Kong for the most desirable gateway to move into Asian countries including China; and

(3) Hong Kong is one of the three biggest financial centers in the world and attracting the excellent financiers around the world. Human resources and information are making Hong Kong a favorable location for our business growth.

The Group will try to enhance growth potential through improvement of the position of pachinko hall operators in Japanese society, expansion of our pachinko hall business and business development in Asia by taking advantage of the listing status.

We will use the listing status as a trigger to enhance information disclosure aiming at improvement of transparency of corporate management

To improve a murky public image toward the pachinko hall operation, we have been disclosing information actively and ensuring transparency of our operation. For example, we have been convening the financial results briefings for financial institutions, analysts and mass media like many other public companies since fiscal year ended March 1997 for the first time among the pachinko hall management companies. Furthermore, we are regularly accepting a monitoring survey conducted by the Pachinko Trusty Board, which is a General Incorporated Association of the pachinko industry organization. The Pachinko Trusty Board is an organization comprised of third party professionals, such as certified public accountants, lawyers and university professors, who are investigating and evaluating corporate governance, compliance and adequacy of financial report of pachinko hall operators. We have been enhancing our internal control by accepting their recommendations proactively.

While other pachinko related companies such as pachinko machine makers, pachinko hall oriented custom-made calculation computer manufacturers and balls/medals feeding machine manufacturers have been listed on the stock exchange in Japan, none of the pachinko hall operators has ever get listed on any stock exchange in the world.

We will use the listing status in Hong Kong as a trigger to enhance information disclosure through the Stock Exchange, corporate website and media communication, and work positively aiming at improvement of transparency of corporate governance.

CHAIRMAN'S STATEMENT

The business environment of the pachinko hall business

According to the Leisure White Paper 2012[*3] published by Japan Productivity Centre[*4], Japan's entertainment market is estimated to be a ¥64.9 trillion business. The pachinko industry, with gross pay-ins of ¥18.9 trillion, was the largest contributor to Japan's entertainment market, accounting for approximately 29.1% thereof.

Pachinko hall operators had been facing a fierce competition fueled by the increasing larger scale halls and excessive advertisement targeted at speculative regular customers who prefer highstakes gambling. However, the traditional machines which require 4 yen per ball or 20 yen per token are becoming less popular among customers in recent years and trends are shifting rapidly to the machines with 1 yen per ball or 5 yen per token. As a matter of fact, potential market size of lower cost game is bigger than the one with traditional higher cost game. On the other hand, management of lower cost game needs different know-how because of a decrease in sales and profit. Therefore, many pachinko halls are setting up the specific space for the machines designed for lower cost game among the traditional machines to keep their customers satisfied.

Operation shift to lower playing cost games

In such market environment, the Group is setting goal as "promote pachinko to genuinely popular pastime, make it easier and more comfortable to reach to wider population", and actively expanding low cost playing halls. According to the survey conducted in December 2012 by the biggest pachinko hall guide website "p-world" which is utilized by 89% of pachinko halls in Japan, 87.6% of halls offer lower cost game to their customers while we offer 98.3%. Average proportion of machines designed for lower cost game to traditional machines is 36.6%, but we are proudly keeping much higher ratio of 60.6%. Since National Police Agency, a regulatory authority which supervises the pachinko hall industry also requires to promote low playing cost operation which would lead to realization of time-consuming leisure, we consider the Group's stance matches the future image of the industry shown by the regulatory authority best. As mentioned above, the Group is abundant in know-how on low cost hall construction and operation and 181 halls of the Group representing the majority of all halls thereof. Accordingly, we consider the Group is a company having most accumulated expertise and know-how on low playing cost business model in Japan.

We will build up a new chain of standardized halls and enhance low cost operation of our pachinko halls

At the time of the Company's founding in July 1967, we managed our 2 pachinko halls in Tokyo. With the related law "Law Regulating Amusement Business, etc." amended into and enforced as "Act on Control and Improvement of Amusement Business Law, etc.", different licensing standards in Japan were unified nationwide. Therefore, since 1989 we have been promoting to open sub-urban or urban type halls. We are currently running 362 halls in 46 prefectures in Japan except Okinawa Prefecture.

The biggest feature in managing our pachinko halls of the Group is that instead of opening the halls in the city of the trade area, we open "standardized wooden halls" each of which installs 480 to 560 gaming machines in the region targeting the small commercial area of 3 to 5 million people. About 84.8% of 362 pachinko halls (i.e. 307 halls) which the Group is operating are standardized wooden halls.

In principle, we have been acquiring a site for opening our hall on the basis of fixed-term leasehold contract for 20 years (fixed-term leasehold contract for business) instead of purchasing a land. This policy gives us an advantage of avoiding an investment risk of purchasing real estate and helps us to demolish less profitable hall easier when we face recreational environment change or the emergence of competitors in the surrounding area during the course of our fast-paced opening. Due to a wooden construction of our hall, the depreciation of a fixed asset is usually finished when the leasehold contract expires and that may make the loss on disposal of buildings and constructions minimal as financial advantage.

We can conduct personnel relocation efficiently within the Group due to the unification of halls' interior design. As for the identical interior design of halls, it also contributes to the effective examination and maintenance of facilities, cost-saving of new interior designing, access to the less expensive building materials and low-cost operation of halls.

Further, since 1989, the Group has been actively employing new graduates mainly including university graduates and employed 364 new graduates annually on the average for these ten years. Some of employees who have had around twenty years experience since entrance into our Company as new graduate employees have already been promoted to department managers in our head office or supervisors in hall operations, and most of store managers as heads of halls are occupied by such employees who entered our Company as new graduate employees. We consider the fact there are competent persons who understand our corporate philosophy is one of our strengths and it will contribute to enhance business efficiency in our halls.

CHAIRMAN'S STATEMENT

Financial results

In the fiscal year ended 31 March 2013, we newly set up 7 halls. As a result, the number of pachinko halls operated by the Group became 362 as at the end of March 2013.

We opened these new halls in *Yuttari Kan* brand. We have two types of pachinko halls which offer low playing cost games; *Shinrai no Mori* halls which feature a general prohibition of smoking with designated closed-off smoking areas and *Yuttari Kan* halls that allow smoking inside the halls. In selecting type of halls, we refer to the commercial situation of individual trading zone and the needs of our potential customers. For the last fiscal year, we also changed over the hall type of 2 *traditional* halls and 10 *Shinrai no Mori* halls to *Yuttari Kan* halls.

In terms of revenue and profit, we posted a revenue of ¥163,961 million (equivalent to approximately HK$13,517 million) which is 0.7% decrease compared with the previous fiscal year, while profit from operation, profit before tax and profit for the year were ¥34,289 million (equivalent to approximately HK$2,827 million), ¥33,436 million (equivalent to approximately HK$2,757 million), and ¥20,925 million (equivalent to approximately HK$1,726 million) respectively, which we secured profit increase respectively in comparison to the previous fiscal year.

As at the end of March 2013, our net assets was ¥125,827 million (equivalent to approximately HK$10,373 million) and our total borrowings were significantly reduced by ¥17,654 million (equivalent to approximately HK$1,455 million), from ¥23,237 million (equivalent to approximately HK$2,184 million) as at the end of March 2012 to ¥5,583 million (equivalent to approximately HK$460 million) as at the end of March 2013.

We recognize we are in a financial position that meets continued payment of dividends and opening of 40 new halls per year with our own sufficient resources of funds through the above financial results.

We aim to improve corporate efficiency and to realize 1,000 hall organization through reorganization of the Group

In order to achieve the goal of "1,000 hall organization and 10% share in the number of halls in the fiscal year ending 31 March 2023", the Group intends to establish the system for quickly opening not less than 40 halls annually. Accordingly, the Group conducted the reorganization as at 1 April 2013. In order to strengthen the quick hall opening system for DYNAM's brands, 4 service companies for the Group were reorganized as Dynam Business Support (in which DYNAM Data Processing, DYNAM P Trading and DYNAM Advertisement Planning were merged and consolidated into DYNAM Land & Building as a surviving company) and 3 hall operating companies other than DYNAM Co., Ltd. ("Dynam")[*5] were reorganized as Cabin Plaza (in which DAIKOKUTEN and OKUWA Japan were merged and consolidated into Cabin Plaza as a surviving company). The Group intends to enhance management efficiency and realize lower cost operations through this reorganization.

Establishment of Hong Kong-based affiliate and business development in Asia

In January 2013, the Group established Dynam Hong Kong Co., Limited ("Dynam Hong Kong") as our Hong Kong-based affiliate.

In Japan, acceleration of demographic aging is anticipated.

As the entire Group, we will promote to collect information at Dynam Hong Kong for enhancement of new business development in Asia expecting synergy with our domestic pachinko hall operation in addition to our expansion of pachinko hall business in Japan through our promotion of low playing cost games bringing closer and casual entertainment to our customers.

The Group would like to secure return of profit to Shareholders and improve business potential and also, we recognize we are capable of achieving it.

Based on our corporate philosophy, we will cultivate "trust" and "dream" and seek further company growth with all Shareholders, many business partners including financial institutions, employees and everyone in a local community. On behalf of the Group, I herein express our appreciation for any assistance and cooperation which parties in trust have ever provided us. Your continuous understanding and cooperation on the Group's business will be highly appreciated.

Chairman and Chief Executive Officer
Yoji SATO

28 May 2013

*1 Cabin Plaza, a pachinko operator in the Group.
For relevant information, please refer to "OUR GROUP ORGANIZATION" on page 9 of this annual report.

*2 Dynam Business Support, a service provider that support our pachinko hall operation in the Group.
For relevant information, please refer to "OUR GROUP ORGANIZATION" on page 9 of this annual report.

*3 Research report on leisure industry and its market trend published by Japan Productivity Centre.

*4 Non-profit organization (NPO) and non-governmental organization (NGO) established in 1955 to promote the productivity in Japan's industrial society and in improving the quality of people's lives.

*5 DYNAM Co., Ltd.[*6] (株式会社ダイナム), a stock company incorporated in Japan with limited liability under the Companies Act of Japan ("Companies Act") on 25 July 1967 (registration number 0115-01-007357). Dynam is a wholly-owned subsidiary of the Company.

*6 For identification only

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Yoji SATO (佐藤洋治) age 67
Executive Director, chairman of the Board and Chief Executive Officer

Mr. Sato was appointed as our executive Director with effect from 20 September 2011, the date of incorporation of our Company. He is also the chairman of our Board, our Chief Executive Officer (*daihyo shikkoyaku* 代表執行役), and a member of our remuneration and nomination committees. Mr. Sato is primarily responsible for our Group's overall strategic planning and the management of our 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 General Incorporated Association Shinrainomori ("Shinrainomori Association").[*1]

Raised in Japan, Mr. Sato joined our Group in January 1970 and since then, he has been instrumental in our business expansion and has developed our Group from a small-scale operation with two pachinko halls in Tokyo to the second largest pachinko halls operators with a chain store operation of 362 pachinko halls in 46 prefectures across Japan as at 31 March 2013.

Mr. Sato has spent over four decades with our 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 our 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 organisation 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 and chief executive officer (*daihyo shikkoyaku* 代表執行役) of Dynam Holdings Co., Ltd. ("DYH" or "Dynam Holdings")[*2] between March 2007 and September 2011. He resigned from these positions following the incorporation of our Company. Save for being a controlling shareholder of DYH, Mr. Sato had no on-going executive or non-executive roles in DYH.

Mr. Sato is one of our Controlling Shareholders.[*3] Together with Rich-O Co., Ltd.[*4] and the Sato Family Members. Mr. Sato is interested in approximately 68.2% 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 additional Chief Executive Officer of the Company.

Non-executive Director

Mr. Noriaki USHIJIMA (牛島憲明) age 63
Non-executive Director

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 our Company. Mr. Ushijima was re-appointed to the same position on 20 June 2012.

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 positions 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 Chuo district (中央区), 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 DYH. He has resigned from these positions following the incorporation of our 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 our Company. "Outside director" has a different meaning under the Companies Act when compared with the meaning of "independent non-executive director" under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The directors of the Company (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.

Mr. Katsuhide HORIBA (堀場勝英) age 69
Independent non-executive Director

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 our Company. He is also the chairman of our nomination and remuneration committees. Mr. Horiba was re-appointed to the same positions on 20 June 2012.

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 (TSE: 8258) where he served as a senior managing director. Subsequently, Mr. Horiba has also worked from 2001 as a chief financial controller 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 experienced in general corporate management.

Since October 2006, Mr. Horiba had been an outside director of DYH (*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 DYH. Following the incorporation of our Company, Mr. Horiba resigned from all positions he held within DYH. 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.

Mr. Ichiro TAKANO (高野一郎) age 57
Independent non-executive Director

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 our Company. He is also the chairman of our audit committee. Mr. Takano was re-appointed to the same positions on 20 June 2012.

Mr. Takano is currently a partner of Takano Law Offices, a legal practice 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 24 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 DYH in October 2006. In March 2007, DYH 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 DYH. Following the incorporation of our Company, Mr. Takano resigned from all positions he held within DYH.

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 DYH 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, Mr. Takano, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to carry any executive function in DYH under the Companies Act; and (ii) Mr. Takano is independent of our Company, Directors, Chief Executive Officer, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Mr. Yukio YOSHIDA (吉田行雄) age 67
Independent non-executive Director

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 our Company. He is also a member of our audit committee. Mr. Yoshida was re-appointed to the same positions on 20 June 2012.

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. He was then appointed by the Supreme Court of Japan as an examination officer 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 DYH. Following the incorporation of our Company, Mr. Yoshida resigned from all positions he held within DYH.

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 DYH 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, Mr. Yoshida, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to carry any executive function in DYH under the Companies Act; and (ii) Mr. Yoshida is independent of our Company, Directors, Chief Executive Officer, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Mr. Mitsutoshi KATO (加藤光利) age 55
Independent non-executive Director

Mr. Kato was appointed as our independent non-executive Director with effect from 29 February 2012. He is also a member of our nomination and remuneration committees. Mr. Kato was re-appointed to the same positions on 20 June 2012.

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 first vice president 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.

Mr. Thomas Chun Kee YIP (葉振基) age 52
Independent non-executive Director

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 positions on 20 June 2012.

Mr. Yip has obtained around 29 years' experience in accounting, auditing and financial reporting. He is a fellow 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 adviser 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.

SENIOR MANAGEMENT

Executive Officers

Our 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 our Company with the authority to sign and effect agreements on behalf of our 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 our Group and implement the business strategies devised by our Directors. Pursuant to our articles of incorporation ("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 our Directors.

Our Company has seven Executive Officers: one Executive Officer concurrently appointed as Director; and six Executive Officers who are not Directors. Executive Officers who are not Directors are not engaged in decision-making on material matters that are required to be resolved at a meeting of the Board of Directors under the Companies Act or our Articles of Incorporation.

Mr. Yoji SATO, who serves concurrently as our executive Director, is our Chief Executive Officer (*daihyo shikkoyaku* 代表執行役). The biographical information of Mr. Yoji SATO is contained above in the paragraphs headed "— Executive Director " in this section.

Below are the biographies of our Executive Officers who are not Directors:

Mr. Kohei SATO (佐藤公平) age 58
Chief Executive Officer

Mr. Kohei SATO was appointed as our Chief Executive Officer in January 2013.

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 at 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.

Mr. Yukiharu UNO (宇野幸治) age 60
Executive Officer

Mr. Uno was appointed as our Executive Officer with effect from 1 January 2012. He is primarily responsible for the management of our day-to-day operations. Mr. Uno joined our Group in June 2011 as a statutory auditor (*kansayaku* 監査役) of Dynam.

Mr. Uno has obtained over 35 years' experience in banking and corporate management. He began his career in April 1976 at Dai-Ichi Kangyo Bank Limited, where he spent 26 years serving in various positions, including joint general manager of New York branch and president of Dai-Ichi Kangyo Trust Co. of New York. Subsequently, Mr. Uno joined Mizuho Corporate Bank, Ltd. in April 2002 where he held different positions including the senior corporate officer of its asset management & transaction banking unit, as well as general manager of its Yokohama Corporate Banking Division.

Prior to his appointment at Dynam, Mr. Uno spent five years between June 2006 and June 2011 at Fujitsu Leasing Co., Ltd., a subsidiary of Fujitsu Limited, which is a computer manufacturer the shares of which are listed on the Tokyo Stock Exchange (TSE: 6702), Osaka Securities Exchange (OSE: 6702), Nagoya Stock Exchange (NSE: 6702) and London Stock Exchange (LSE: FUJ). During this period, he served in different positions, including the managing director, managing executive officer and statutory auditor (*kansayaku* 監査役) of Fujitsu Leasing Co., Ltd..

Mr. Uno graduated from the University of Tokyo in March 1976 with a bachelor's degree in economics.

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shizuo OKAYASU (岡安静夫) age 56
Executive Officer

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 our 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 our 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 DYH 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 our 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.

Mr. Hisao KATSUTA (勝田久男) age 61
Executive Officer

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

Mr. Katsuta has considerable knowledge and 26 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.

Mr. Haruhiko MORI (森治彦) age 60
Executive Officer

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 our Group and is the head of our internal control committee. Mr. Mori is also a member of our management strategy meeting.

Mr. Mori joined our 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.

Mr. Yoshiyuki MIZUTANI (水谷義之) age 56
Executive Officer

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 32 years' experience in the field of finance and accounting. Since he entered Daiei Inc., a large-scale supermarket-chain in Japan the shares of which are listed on the Tokyo Stock Exchange (TSE: 8263), 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.

1 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 Companies Act (registration number 0115-05-001319). Shinarainomori Association is a subsidiary of the Company.

2 DYNAM Holdings Co., Ltd. (株式会社ダイナムホールディングス), a stock company incorporated in Japan with a limited liability on 15 December 1987 under the Companies Act (registration number 0115-01-010630).

*3 Controlling Shareholders: 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 Co., Ltd. and each of the Sato family members (the "Sato Family Members").

4 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 of Japan (registration number 0115-01-011944).

* 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.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Largest contributor to Japan's entertainment and gaming market

According to the Leisure White Paper 2012 published by Japan Productivity Centre, Japan's entertainment market is estimated to be a ¥64.9 trillion business. The pachinko industry, with gross pay-ins of ¥18.9 trillion, was the largest contributor to Japan's entertainment market, accounting for approximately 29.1% thereof.

Market shift to lower playing cost pachinko and pachislot games

Since 2007, the number of pachinko halls equipped with low playing cost machines has increased steadily. According to Yano Research, the number of pachinko halls with low playing cost machines increased from 1,049 in 2007 to 8,875 in 2011. In addition, approximately 79.8% of the new halls opened in 2011 were equipped with low playing cost machines, with approximately 9.2% of these new halls specialising solely in low playing cost machines. It is expected that the number of halls equipped with low playing cost machines will increase till 2013 and subsequently stabilise, and that the proportion of low playing cost machines will also increase until the market has become saturated, according to Entertainment Business Institute[*1].

The following table below sets forth the share ratios for low and high playing cost pachinko and pachislot machines in the market:

	For the year ended 31 March	
Pachinko machines	**2013**	2012
Low playing cost	**36.9%**	32.5%
High playing cost	**63.1%**	67.5%

	For the year ended 31 March	
Pachislot machines	**2013**	2012
Low playing cost	**18.2%**	11.2%
High playing cost	**81.8%**	88.8%

(Source: Daikoku Denki Co., Ltd., DK-SIS data[*2])

Leading the market with lower playing cost machines and promotion of the entertainment aspect of pachinko

We were among the first pachinko hall operators to promote the entertainment, instead of gaming, aspect of pachinko when we introduced low playing cost machines to our halls in 2006. We believe that our development of low playing cost pachinko is key to our continued success in the industry, as this strategy has allowed us to reach out to a broader and previously untapped customer base stemming from a growing trend towards playing pachinko for recreation in addition to winning prizes. This strategy also involves planned geographical expansion to continue to target players in rural/suburban areas.

(*1) Research institute specialized in pachinko and casino industries.

(*2) Daikoku Denki Co., Ltd. is a pachinko related equipments supplier and the company also operates membership organization to manage information on registered member of pachinko hall operators including the utilization of pachinko and pachislot machines.

BUSINESS REVIEW

Overview

We are a pachinko hall operator in Japan which have almost 46 years of experience in the pachinko industry, and have built our pachinko operations from two halls in one prefecture to 362 halls in 46 out of 47 prefectures in Japan as at 31 March 2013.

Our Business

Games

Our pachinko halls provide a venue for customers to play two types of games: pachinko and pachislot. Pachinko is similar to a vertical pinball machine and is played by firing small metal pachinko balls in rapid succession into the playing field of the machine and into pockets which trigger the release of more pachinko balls. Playing costs generally range from 0.5 yen to 4 yen per ball.

Pachislot is similar to casino slot machines, and is played by spinning the reels on the machine, then stopping them so that the pictures on each reel match, which triggers the release of pachislot tokens. Playing costs generally range from 5 yen to 20 yen per token. Customers rent pachinko balls and pachislot tokens to play the games, and the balls or tokens won can be either exchanged for prizes or saved for subsequent visits.

Prizes

Consistent with standard industry practice, we offer both general prizes, which are generally the types of goods sold in convenience stores, such as snacks, drinks and cigarettes, as well as "G-prizes", which are decorative cards with a small embedded piece of gold or silver or coin-shaped pendants of gold or silver. Players who opt to claim G-prizes in exchange for the pachinko balls and pachislot tokens collected may sell their G-prizes to an independent prize buyer for cash outside of pachinko hall.

Operation of Three Types of Halls

We have focused on promoting the entertainment, instead of gaming, aspect of pachinko. We operate three types of halls, which offer various mixes of pachinko and pachislot games with different playing costs:

- *Traditional* halls feature a greater proportion of high playing cost games, and allow smoking inside the halls.

- *Yuttari Kan* halls offer primarily low playing cost games with a wider variety of general prizes, and generally allow smoking.

- *Shinrai no Mori* halls also feature primarily low playing cost games with a wider variety of general prizes, and include additional features such as a general prohibition on smoking with designated closed-off smoking areas, and the addition of a "relaxation space" in which customers can socialise.

MANAGEMENT DISCUSSION AND ANALYSIS

We operate 362 pachinko halls in 46 out of 47 prefectures throughout Japan. The following table sets forth the number of halls by type as at the dates indicated:

	As at 31 March 2013	As at 31 March 2012
Traditional	**174**	176
Yuttari Kan	**154**	135
Shinrai no Mori	**34**	44
Total	**362**	355

We opened 7 new *Yuttari Kan* halls in several prefectures in Japan. Also, we changed over the hall type of 2 traditional halls and 10 *Shinrai no Mori* halls to *Yuttari Kan* halls so that we respond to the changing needs of our customers in trading zones and improve operating profit in our halls. As a result, the number of *Yuttari Kan* halls increased from 135 halls to 154 halls for the year ended 31 March 2013.

Focus on low playing cost machines

We are among the first pachinko hall operators to promote, through our *Yuttari Kan* and *Shinrai no Mori* brands, the entertainment, instead of gaming, aspect of pachinko. We began offering low playing cost pachinko in 2006, and as at 31 March 2013, entertainment-oriented pachinko halls made up over half of our pachinko hall network. In doing so, we have been able to expand to a more demographically diverse customer base to include women, and players from older age groups and regional towns and cities. This has led to an increase in our market share and has provided us with a competitive edge over other pachinko hall operators.

Proportion of low playing cost machines in our pachinko halls

Because of the stagnation of the Japanese economy and the corresponding decline in the number of and spending by traditional pachinko players, we believe it is critical to broaden our customer base in order to increase overall customer spending in our pachinko halls. As a result, we may occasionally adjust the mix of high playing cost and low playing cost machines among our halls, particularly when opening new halls, in order to maintain customer interest as well as to grow our customer base. We also intend to continue to increase the number of our pachinko halls, with a particular focus on increasing the relative proportions of our *Yuttari Kan* and *Shinrai no Mori* halls, as the low playing cost machines featured in these hall types help to attract a broader customer base. The percentage of low playing cost machines increased from approximately 55.6% as at 31 March 2012 to approximately 58.4% as at 31 March 2013.

Cost controls and operational efficiency

Through our chain-store operational and management structure, we seek to achieve greater operational efficiency and cost controls.

As pachinko and pachislot machine expenses especially form a significant and controllable part of our operating expenses, we take several measures, resulting from our strategy of chain-store operation and volume purchasing.

For example, we use second-hand machines in our halls, sourced from our operations and third party suppliers, and reconfigure high playing cost machines into low playing cost machines, which allows us to control our machine expenses and profitability.

Another example of cost control measures for pachinko and pachislot machine expenses is our initiative to begin developing and installing our own private brand machines, the production of which we outsource in bulk to manufacturers for cost savings over the average market price of national brand machines. Using information that we gather from our membership system, we negotiate with manufacturers to produce machines specifically tailored to meet the preferences of our customers. We aim to continue to increase the proportion of private brand machines in our pachinko halls to further reduce our operating costs.

Other examples of operational efficiency and cost control measures include our 13 centralised distribution centres to support our machine sourcing functions, redeploying machines within our network and reconfiguring high playing cost machines into low playing cost machines, to reduce our machine expenses as mentioned above, and implementing an inventory ordering system for our general prizes to minimise our spending on working capital. With our chain store operational and management practices, rigorous cost control measures and greater economies of scale in our operations, we aim to continue to lower our per hall operating expenses.

PROSPECTS

We seek to maintain our position as an industry leader and further grow our business by implementing the following major strategies.

Continue to promote the entertainment aspect of pachinko

Our unique branding strategy has enabled us to attract a diverse customer base by emphasising the entertainment, rather than gaming, aspect of pachinko. With the introduction of our *Yuttari Kan* and *Shinrai no Mori* brands, we are reinventing the image of pachinko halls and distinguishing our branded pachinko halls as venues in which a broader range of customers, such as women, younger players, and other non-traditional pachinko customers, can play for entertainment and recreation rather than prizes. In line with this focus, we will also continue to concentrate our efforts on promoting our low playing cost games, as we believe that the pachinko industry is experiencing a transition towards low playing cost games.

As part of our initiative to shift the image of pachinko as a gaming activity to one of entertainment and leisure, we will focus on improving the overall quality of the customer experience in our pachinko halls. This includes introducing more *Yuttari Kan* and *Shinrai no Mori* halls featuring lower playing cost pachinko and pachislot machines, as we believe that many potential players are deterred by the high playing costs involved in pachinko and pachislot. Furthermore, in order to address the concerns of loud noise volumes and smoking inside pachinko halls, our *Shinrai no Mori* halls have controlled, lower noise volumes and are non-smoking, with separate designated smoking areas. We will also continue to focus on improving the quality of our customer service by providing ongoing personnel training. We believe that this is an important factor in customer loyalty and retention, which we believe will lead to increased market share and improved industry standing.

Expansion of operations by setting up new halls

We have a proven track record in successfully expanding our operations throughout Japan in a careful, cost-conscious and strategic manner and in line with our chain-store operational management strategy. We intend to exploit our competitive strengths to continue to expand our pachinko hall network and add to our leading market position.

We believe that many opportunities for pachinko hall expansion continue to exist in Japan, particularly in rural/suburban areas. On the other hand, we realize that opening new halls is always subject to certain market conditions which are beyond our control, and negotiation with the landowner for a long term land lease at an acceptable rental. Therefore, the Directors will ensure that we pursue such new hall opening opportunities when the prospects of new halls warrant us to do so, taking into consideration initial investment amounts etc..

In line with the above basic policy, we intend to establish the system for quickly opening not less than 40 halls annually to achieve the goal of "1,000 hall organization and 10% share in the number of halls in the fiscal year ending 31 March 2023".

Consolidate the pachinko industry by strategically acquiring potential competitors

In addition to growing organically, we plan to take advantage of the fragmented nature of the pachinko industry in Japan and leverage our listing status to acquire additional pachinko halls that complement our existing operations. In doing so, we will also take advantage of the pachinko industry trend of smaller and medium-sized hall operators gradually being pushed out of the market by larger operators. We are committed to becoming a driving force for this industry's consolidation from now on.

Establishment of Hong Kong-based affiliate and business development in Asia

In January 2013, the Group established Dynam Hong Kong as our Hong Kong-based affiliate. In Japan, acceleration of demographic aging is anticipated. As the entire Group, we will promote to collect information at Dynam Hong Kong for enhancement of new business development in Asia expecting synergy with our domestic pachinko hall operation in addition to our expansion of pachinko hall business in Japan through our promotion of low playing cost games bringing closer and casual entertainment to our customers.

Financial Review

The following table sets forth the gross pay-ins, gross payouts, and revenue by types of halls for the years indicated:

	For the year ended 31 March				
	2013		2012		changes
	(in millions, except for percentages)				
	¥	**HK$[1]**	¥	HK$[2]	
Gross pay-ins					
— *Traditional*	**716,842**	**59,097**	734,245	69,008	-2.4%
— *Yuttari Kan*	**168,243**	**13,870**	133,496	12,547	+26.0%
— *Shinrai no Mori*	**44,073**	**3,633**	40,568	3,813	+8.6%
Total gross pay-ins	**929,158**	**76,600**	908,309	85,368	+2.3%
Gross payouts					
— *Traditional*	**609,535**	**50,250**	623,331	58,584	-2.2%
— *Yuttari Kan*	**122,804**	**10,124**	90,574	8,513	+35.6%
— *Shinrai no Mori*	**32,858**	**2,709**	29,326	2,756	+12.0%
Total gross payouts	**765,197**	**63,083**	743,231	69,853	+3.0%
Revenue					
— *Traditional*	**107,307**	**8,847**	110,914	10,424	-3.3%
— *Yuttari Kan*	**45,439**	**3,746**	42,922	4,034	+5.9%
— *Shinrai no Mori*	**11,215**	**924**	11,242	1,057	-0.2%
Total revenue	**163,961**	**13,517**	165,078	15,515	-0.7%

(1) Translated into Hong Kong dollars at the rate of ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

(2) Translated into Hong Kong dollars at the rate of ¥10.64 to HK$1.00, the exchange rate prevailing on 30 March 2012 (i.e. the last business day in March 2012).

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 increased by ¥20,849 million (equivalent to approximately HK$1,719 million), or 2.3%, from ¥908,309 million (equivalent to approximately HK$85,368 million) for the year ended 31 March 2012 to ¥929,158 million (equivalent to approximately HK$76,600 million) for the year ended 31 March 2013.

Traditional halls. Gross pay-ins for *traditional* halls decreased by ¥17,403 million (equivalent to approximately HK$1,435 million), or 2.4%, from ¥734,245 million (equivalent to approximately HK$69,008 million) for the year ended 31 March 2012 to ¥716,842 million (equivalent to approximately HK$59,097 million) for the year ended 31 March 2013. The decrease was primarily due to the decrease in utilisation rates of our high playing cost machines reflecting the market shifting to low playing cost machines and decrease in number of halls associated with changeover of 2 *Traditional* halls to *Yuttari Kan* halls.

Yuttari Kan halls. Gross pay-ins for *Yuttari Kan* halls increased by ¥34,747 million (equivalent to approximately HK$2,865 million), or 26.0%, from ¥133,496 million (equivalent to approximately HK$12,547 million) for the year ended 31 March 2012 to ¥168,243 million (equivalent to approximately HK$13,870 million) for the year ended 31 March 2013. The increase was due primarily to the increasing popularity in the market of our low playing cost machine, entertainment oriented strategy as well as the addition of 19 new *Yuttari Kan halls* on a year-to-year basis including changeover of hall types from *Traditional* halls and *Shinrai no Mori* halls.

Shinrai no Mori halls. Gross pay-ins for *Shinrai no Mori* halls increased by ¥3,505 million (equivalent to approximately HK$289 million), or 8.6%, from ¥40,568 million (equivalent to approximately HK$3,813 million) for the year ended 31 March 2012 to ¥44,073 million (equivalent to approximately HK$3,633 million) for the year ended 31 March 2013. The increase was primarily due to the continuing increase in popularity of existing *Shinrai no Mori* halls with a non-smoking environment and low playing cost machines partly offset by the decrease of 10 *Shinrai no Mori* halls associated with changeover of hall type to *Yuttari Kan* halls.

* Unutilised balls and tokens represents the sum of (i) the value of balls and tokens stored in our membership system and (ii) unutilised value of pre-paid integrated circuit ("IC") cards sold.

In the process of the initial public offering of the Company in August 2012, Dynam changed the basis for revenue recognition from the gross basis to the net basis in the fiscal year ended 31 March 2013 for the reporting purpose in accordance with the International Financial Reporting Standards. Accordingly, the tax calculation with regard to the unutilised balls and tokens was also changed from the gross basis to the net basis.

We have been making confirmation to the revenue authority in Japan regarding appropriateness of this change in tax calculation and we have not received official response from the revenue authority as at the date of this annual report.

Gross payouts

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

Our gross payouts increased by ¥21,966 million (equivalent to approximately HK$1,811 million), or 3.0%, from ¥743,231 million (equivalent to approximately HK$69,853 million) for the year ended 31 March 2012 to ¥765,197 million (equivalent to approximately HK$63,083 million) for the year ended 31 March 2013. The increase was primarily due to reduced G-prize mark-ups in our halls as part of our strategy to enhance our competitiveness to increase our market share.

Traditional halls. Gross payouts decreased by ¥13,796 million (equivalent to approximately HK$1,137 million), or 2.2%, from ¥623,331 million (equivalent to approximately HK$58,584 million) for the year ended 31 March 2012 to ¥609,535 million (equivalent to approximately HK$50,250 million) for the year ended 31 March 2013, which was in line with the decrease in gross pay-ins.

Yuttari Kan halls. Gross payouts increased by ¥32,230 million (equivalent to approximately HK$2,657 million), or 35.6%, from ¥90,574 million (equivalent to approximately HK$8,513 million) for the year ended 31 March 2012 to ¥122,804 million (equivalent to approximately HK$10,124 million) for the year ended 31 March 2013. The increase was due primarily to the increase in gross pay-ins and the lower of G-prize mark-ups for machines in some of these halls, in order to enhance our competitiveness in attracting customers as well as the addition of 19 *Yuttari Kan* halls on a year-to-year basis.

Shinrai no Mori halls. Gross payouts increased by ¥3,532 million (equivalent to approximately HK$291 million), or 12.0%, from ¥29,326 million (equivalent to approximately HK$2,756 million) for the year ended 31 March 2012 to ¥32,858 million (equivalent to approximately HK$2,709 million) for the year ended 31 March 2013. The increase for *Shinrai no Mori* halls was due primarily to the increase in gross pay-ins as well as the lower of G-prize mark-ups to our customers.

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 slightly decreased by ¥1,117 million (equivalent to approximately HK$92 million), or 0.7%, from ¥165,078 million (equivalent to approximately HK$15,515 million) for the year ended 31 March 2012 to ¥163,961 million (equivalent to approximately HK$13,517 million) for the year ended 31 March 2013.

Traditional halls. Revenue for *traditional* halls slightly decreased by ¥3,607 million (equivalent to approximately HK$298 million), or 3.3%, from ¥110,914 million (equivalent to approximately HK$10,424 million) for the year ended 31 March 2012 to ¥107,307 million (equivalent to approximately HK$8,847 million) for the year ended 31 March 2013. The slight decrease was primarily due to a modest decrease in gross pay-ins offset by modest decrease in gross payouts over the year. The revenue margin slightly decreased from 15.1% to 15.0% which was in line with the decrease in gross pay-ins partly offset by decrease in gross payouts.

Yuttari Kan halls. Revenue for *Yuttari Kan* halls increased by ¥2,517 million (equivalent to approximately HK$208 million), or 5.9%, from ¥42,922 million (equivalent to approximately HK$4,034 million) for the year ended 31 March 2012 to ¥45,439 million (equivalent to approximately HK$3,746 million) for the year ended 31 March 2013. The increase in revenue is less than that in gross pay-ins, which was primarily due to the lower of G-prize mark-ups for machines in most of our *Yuttari Kan* halls, leading to a decrease in the revenue margin from 32.2% to 27.0%.

Shinrai no Mori halls. Revenue for *Shinrai no Mori* halls were ¥11,242 million (equivalent to approximately HK$1,057 million) and ¥11,215 million (equivalent to approximately HK$924 million) for the year ended 31 March 2012 and 2013 respectively. The stable outcome reflects increase in gross pay-ins offset by comparable increase in gross payouts. The lower of G-prize mark-ups adopted in our *Shinrai no Mori* halls led to a decrease in the revenue margin from 27.7% to 25.4%.

Other income

Other income primarily comprises commission income from vending machines and in-store sales, which represented 63.3% and 44.1% of total other income for the years ended 31 March 2012 and 2013 respectively. Other income increased by ¥2,678 million (equivalent to approximately HK$221 million), or 40.7%, from ¥6,572 million (equivalent to approximately HK$617 million) for the year ended 31 March 2012 to ¥9,250 million (equivalent to approximately HK$763 million) for the year ended 31 March 2013 due primarily to extraordinary gain on foreign exchange.

Hall operating expenses

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

	For the year ended 31 March															
	2013								2012							
	Traditional		Yuttari Kan		Shinrai no Mori		Total		Traditional		Yuttari Kan		Shinrai no Mori		Total	
	(in ¥ millions, except for percentages)															
		%		%		%		%		%		%		%		%
Hall staff costs	28,738	35.3%	13,415	32.8%	3,602	31.1%	45,755	34.2%	29,437	33.2%	13,176	34.7%	3,684	30.2%	46,297	33.4%
Machine expenses	22,932	28.1%	8,649	21.1%	2,285	19.7%	33,866	25.2%	26,460	29.9%	7,067	18.6%	2,212	18.1%	35,739	25.8%
Depreciation charges	5,051	6.2%	3,633	8.9%	1,796	15.5%	10,480	7.8%	4,818	5.4%	3,617	9.5%	2,353	19.3%	10,788	7.8%
Rental	5,226	6.4%	4,096	10.0%	946	8.2%	10,268	7.7%	5,410	6.1%	3,804	10.0%	952	7.8%	10,166	7.3%
Advertising expenses	3,581	4.4%	1,207	3.0%	330	2.8%	5,118	3.8%	4,626	5.2%	1,224	3.2%	415	3.4%	6,265	4.5%
Utilities expenses	2,608	3.2%	1,793	4.4%	496	4.3%	4,897	3.7%	2,505	2.8%	1,728	4.5%	483	4.0%	4,716	3.4%
G-prize expenses	2,707	3.3%	1,993	4.9%	614	5.3%	5,314	4.0%	2,481	2.8%	1,780	4.7%	570	4.7%	4,831	3.5%
Cleaning and ancillary services	2,485	3.1%	1,550	3.8%	372	3.2%	4,407	3.3%	2,451	2.8%	1,463	3.9%	359	2.9%	4,273	3.1%
Repair and maintenance	2,137	2.6%	1,330	3.3%	191	1.6%	3,658	2.7%	2,652	3.0%	1,090	2.9%	147	1.2%	3,889	2.8%
Others	6,004	7.4%	3,180	7.8%	957	8.3%	10,141	7.6%	7,745	8.8%	3,049	8.0%	1,027	8.4%	11,821	8.4%
Total	81,469	100.0%	40,846	100.0%	11,589	100.0%	133,904	100.0%	88,585	100.0%	37,998	100.0%	12,202	100.0%	138,785	100.0%

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

	For the year ended 31 March															
	2013								2012							
	Traditional		Yuttari Kan		Shinrai no Mori		Total		Traditional		Yuttari Kan		Shinrai no Mori		Total	
	(in ¥ millions, except for percentages)															
		%		%		%		%		%		%		%		%
Hall staff costs	165.2	35.3%	87.1	32.8%	105.9	31.1%	126.4	34.2%	167.3	33.2%	97.6	34.7%	83.7	30.2%	130.4	33.4%
Machine expenses	131.8	28.1%	56.2	21.1%	67.3	19.7%	93.5	25.2%	150.3	29.9%	52.3	18.6%	50.3	18.1%	100.7	25.8%
Depreciation charges	29.0	6.2%	23.6	8.9%	52.8	15.5%	29.0	7.8%	27.4	5.4%	26.8	9.5%	53.5	19.3%	30.4	7.8%
Rental	30.0	6.4%	26.6	10.0%	27.8	8.2%	28.4	7.7%	30.7	6.1%	28.2	10.0%	21.6	7.8%	28.6	7.3%
Advertising expenses	20.6	4.4%	7.8	3.0%	9.7	2.8%	14.1	3.8%	26.3	5.2%	9.1	3.2%	9.4	3.4%	17.6	4.5%
Utilities expenses	15.0	3.2%	11.6	4.4%	14.6	4.3%	13.5	3.7%	14.2	2.8%	12.8	4.5%	11.0	4.0%	13.3	3.4%
G-prize expenses	15.6	3.3%	12.9	4.9%	18.1	5.3%	14.7	4.0%	14.1	2.8%	13.2	4.7%	13.0	4.7%	13.6	3.5%
Cleaning and ancillary services	14.3	3.1%	10.1	3.8%	11.0	3.2%	12.2	3.3%	13.9	2.8%	10.8	3.9%	8.2	2.9%	12.0	3.1%
Repair and maintenance	12.3	2.6%	8.6	3.3%	5.6	1.6%	10.1	2.7%	15.1	3.0%	8.1	2.9%	3.3	1.2%	11.0	2.8%
Others	34.4	7.4%	20.7	7.8%	28.1	8.3%	28.0	7.6%	44.0	8.8%	22.6	8.0%	23.3	8.4%	33.3	8.4%
Total	468.2	100.0%	265.2	100.0%	340.9	100.0%	369.9	100.0%	503.3	100.0%	281.5	100.0%	277.3	100.0%	390.9	100.0%

Hall operating expenses decreased by ¥4,881 million (equivalent to approximately HK$402 million), or 3.5%, from ¥138,785 million (equivalent to approximately HK$13,043 million) for the year ended 31 March 2012 to ¥133,904 million (equivalent to approximately HK$11,039 million) for the year ended 31 March 2013, primarily attributable to a decrease in pachinko and pachislot machine expenses, advertising expenses and the loss on earthquake recognised for the year ended 31 March 2012.

Traditional halls. Hall operating expenses decreased by ¥7,116 million (equivalent to approximately HK$587 million), or 8.0%, from ¥88,585 million (equivalent to approximately HK$8,326 million) for the year ended 31 March 2012 to ¥81,469 million (equivalent to approximately HK$6,716 million) for the year ended 31 March 2013, due primarily to the decrease in pachinko and pachislot machine expenses resulting from acquisition of more second-hand machines than new machines and the reduction of advertising expenses as well as the decreased number of halls associated with changeover of 2 *Traditional* halls to *Yuttari Kan* halls. On a per hall basis, average hall expenses also decreased by 7.0%. The decrease was due primarily to a 12.3% decrease in pachinko and pachislot machine expenses per hall.

Yuttari Kan halls. Hall operating expenses increased by ¥2,848 million (equivalent to approximately HK$235 million), or 7.5%, from ¥37,998 million (equivalent to approximately HK$3,571 million) for the year ended 31 March 2012 to ¥40,846 million (equivalent to approximately HK$3,367 million) for the year ended 31 March 2013, due primarily to the addition of 19 new *Yuttari Kan* halls including changeover of hall types from *Traditional* halls and *Shinrai no Mori* halls as well as additional procurement of low playing cost machines leading to the increase in pachinko and pachislot machine expenses. On a per hall basis, average hall operating expenses decreased by 5.8%, from ¥281.5 million (equivalent to approximately HK$26.5 million) for the year ended 31 March 2012 to ¥265.2 million (equivalent to approximately HK$21.9 million) for the year ended 31 March 2013. The decrease in average hall operating expenses primarily reflects the increment of total amount of hall operating expenses by increased number of halls.

Shinrai no Mori halls. Hall operating expenses decreased by ¥613 million (equivalent to approximately HK$51 million), or 5.0%, from ¥12,202 million (equivalent to approximately HK$1,147 million) for the year ended 31 March 2012 to ¥11,589 million (equivalent to approximately HK$955 million) for the year ended 31 March 2013, due primarily to the decrease of 10 *Shinrai no Mori* halls associated with changeover of hall type to *Yuttari Kan* halls. On a per hall basis, average hall operating expenses increased by 22.9%, from ¥277.3 million (equivalent to approximately HK$26.1 million) for the year ended 31 March 2012 to ¥340.9 million (equivalent to approximately HK$28.1 million) for the year ended 31 March 2013. The increase in average hall operating expenses was due primarily to the deduction of the total amount of the expenses by decreased number of halls.

General and administrative expenses

General and administrative expenses increased by ¥1,358 million (equivalent to approximately HK$112.0 million), or 77.4%, from ¥1,754 million (equivalent to approximately HK$164.8 million) for the year ended 31 March 2012 to ¥3,112 million (equivalent to approximately HK$256.6 million) for the year ended 31 March 2013. The increase was primarily due to the expenses incurred in the initial public offering and the increase in staff costs.

Other operating expenses

Other operating expenses increased by ¥1,032 million (equivalent to approximately HK$85.1 million), or 118.1%, from ¥874 million (equivalent to approximately HK$81.0 million) for the year ended 31 March 2012 to ¥1,906 million (equivalent to approximately HK$157.1 million) for the year ended 31 March 2013. The increase was primarily attributable to the increase in loss on disposals of property, plant and equipment and impairment loss on property, plant and equipment.

Finance costs

Finance costs decreased by ¥980 million (equivalent to approximately HK$80.8 million), or 53.5%, from ¥1,833 million (equivalent to approximately HK$172.3 million) for the year ended 31 March 2012 to ¥853 million (equivalent to approximately HK$70.3 million) for the year ended 31 March 2013. The decrease was primarily attributable to the decrease in amortisation of syndicated loan bank charges and total borrowings.

Cash Flow and Liquidity

Cash flows

We meet our working capital and other capital requirements principally with the following: (i) cash generated from our operations, (ii) bank borrowings and (iii) proceeds from the initial public offering. On 6 August 2012, we received approximately ¥15,884 million (equivalent to HK$1,568 million) from the completion of the initial public offering. The table below sets out the cash flow data extracted from our consolidated statement of cash flows:

	For the year ended 31 March			
	2013		2012	
	(in millions)			
	¥	HK$[1]	¥	HK$[2]
Net cash generated from operating activities	28,330	2,336	31,906	2,998
Net cash (used in)/generated from investing activities	(10,899)	(899)	10,998	1,034
Net cash used in financing activities	(8,028)	(662)	(31,840)	(2,992)
Effect of exchange rate changes on cash and cash equivalents	3,539	292	–	–
Net increase in cash and cash equivalents	12,942	1,067	11,064	1,040
Cash and cash equivalents at the beginning of year	28,524	2,352	17,460	1,641
Cash and cash equivalents at the end of year	41,466	3,419	28,524	2,681

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			
	2013		2012	
	(in millions)			
	¥	HK$[1]	¥	HK$[2]
Operating profit before working capital changes	43,928	3,621	42,498	3,994
Change in working capital — (used in)/generated from	(2,269)	(187)	2,704	254
Cash generated from operations	41,659	3,434	45,202	4,248
Income taxes paid	(11,988)	(988)	(12,360)	(1,162)
Finance costs paid	(1,341)	(110)	(936)	(88)
Net cash generated from operating activities	28,330	2,336	31,906	2,998

(1) Translated into Hong Kong dollars at the rate of ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

(2) Translated into Hong Kong dollars at the rate of ¥10.64 to HK$1.00, the exchange rate prevailing on 30 March 2012 (i.e. the last business day in March 2012).

Net cash generated from operating activities was ¥31,906 million (equivalent to approximately HK$2,998 million) and ¥28,330 million (equivalent to approximately HK$2,336 million) for the years ended 31 March 2012 and 2013, respectively.

Our net cash generated from operating activities was ¥28,330 million (equivalent to approximately HK$2,336 million) for the year ended 31 March 2013 as compared to ¥31,906 million (equivalent to approximately HK$2,998 million) for the year ended 31 March 2012. The decrease in our net cash generated from operating activities was mainly due to a negative change in working capital of ¥4,973 million (equivalent to approximately HK$410 million) and increase in finance costs paid, partially offset by the increase of ¥1,430 million (equivalent to approximately HK$118million) in operating profit before working capital changes and decrease in income taxes paid. We used ¥2,269 million (equivalent to approximately HK$187 million) in working capital during the year ended 31 March 2013, which mainly reflected an increase of ¥1,805 million (equivalent to approximately HK$149 million) in prepayments and other receivables, and ¥1,714 million (equivalent to approximately HK$141 million) in accruals and other payables. These negative effects on working capital were partially offset by a decrease of ¥1,156 million (equivalent to approximately HK$95 million) in inventories.

Net cash (used in)/generated from investing activities

Cash flows used in investing activities primarily consist of capital expenditures for property, plant and equipment, including freehold land, buildings and leasehold improvements, tools and equipment, motor vehicles and construction in progress.

For the year ended 31 March 2013, net cash used in investing activities was ¥10,899 million (equivalent to approximately HK$899 million) compared to cash generated from investing activities of ¥10,998 million (equivalent to approximately HK$1,034 million) for the year ended 31 March 2012. The cash outflow for the year ended 31 March 2013 was primarily due to the purchase of property, plant, and equipment amounted to ¥10,723 million (equivalent to approximately HK$884 million) as compared with ¥7,471 million (equivalent to approximately HK$702 million) for the year ended 31 March 2012.

Net cash used in financing activities

Our cash generated from financing activities primarily consists of proceeds from issue of new Shares in the initial public offering and borrowings. Our cash used in financing activities primarily consists of repayment of bank borrowings, dividends paid to Shareholders and repayment of finance leases.

For the year ended 31 March 2013, net cash used in financing activities was ¥8,028 million (equivalent to approximately HK$662 million) compared to net cash used in financing activities of ¥31,840 million (equivalent to approximately HK$2,992 million) for the year ended 31 March 2012. The cash inflow for the year ended 31 March 2013 was primarily due to the issue of new Shares in the amount of approximately ¥15,884 million (equivalent to HK$1,568 million) and bank loans raised in the amount of ¥15,500 million (equivalent to approximately HK$1,278 million) partially offset by repayment of bank loans in the amount of ¥33,191 million (equivalent to approximately HK$2,736 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 2013 (in millions) ¥	31 March 2013 (in millions) HK$[1]	31 March 2012 ¥	31 March 2012 HK$[2]
Current assets				
Inventories	**3,375**	**278**	4,531	426
Trade receivables	**359**	**30**	381	36
Prepayments and other receivables	**5,337**	**440**	3,415	322
Held-to-maturity investment	**10**	**1**	–	–
Amounts due from related companies	**21**	**2**	20	2
Bank and cash balances	**41,466**	**3,418**	28,524	2,681
	50,568	**4,169**	36,871	3,467
Current liabilities				
Trade payables	**905**	**75**	1,148	108
Accruals and other payables	**19,376**	**1,597**	21,090	1,983
Derivative financial instruments	**57**	**5**	62	6
Amounts due to related companies	**452**	**37**	443	42
Borrowings	**1,258**	**104**	1,654	155
Finance lease payables	**1,223**	**101**	1,187	112
Provisions	**1,438**	**119**	1,460	137
Current tax liabilities	**5,985**	**493**	6,340	596
	30,694	**2,531**	33,384	3,139
Net current assets	**19,874**	**1,638**	3,487	328

(1) Translated into Hong Kong dollars at the rate of ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

(2) Translated into Hong Kong dollars at the rate of ¥10.64 to HK$1.00, the exchange rate prevailing on 30 March 2012 (i.e. the last business day in March 2012).

As at 31 March 2012 and 31 March 2013, our net current assets totalled ¥3,487 million (equivalent to approximately HK$328 million) and ¥19,874 million (equivalent to approximately HK$1,638 million), respectively, and our current ratio was 1.1 and 1.6, respectively.

Gearing Ratio

The gearing ratio is an indicator of our capital structure, which is calculated as total borrowings divided by total assets. Total borrowings comprised long-term and short-term bank borrowings. The gearing ratio decreased from 14.9% as at 31 March 2012 to 3.3% as at 31 March 2013, primarily due to the increase in total assets and decrease in total borrowings.

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 year ended 31 March 2012 and 2013 were ¥7,998 million (equivalent to approximately HK$751 million) and ¥10,841 million (equivalent to approximately HK$894 million), respectively. Our capital expenditures were primarily related to the improvements of facilities in our halls to enhance our competitiveness in attracting customers.

The following table sets forth our capital expenditures for the years indicated:

	For the year ended 31 March			
	2013		2012	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Freehold land	**71**	**6**	4	▲
Buildings including leasehold improvements	**4,388**	**362**	2,428	228
Tools and equipment	**6,125**	**505**	4,978	468
Motor vehicles	**1**	**▲**	10	1
Construction in progress	**256**	**21**	578	54
	10,841	**894**	7,998	751

▲ Less than HK$0.5 million.

(1) Translated into Hong Kong dollars at the rate of ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

(2) Translated into Hong Kong dollars at the rate of ¥10.64 to HK$1.00, the exchange rate prevailing on 30 March 2012 (i.e. the last business day in March 2012).

Inventories

The following table sets forth the components of our inventories as at the dates indicated:

	31 March 2013		31 March 2012	
	(in millions)			
	¥	HK$[1]	¥	HK$[2]
G-prize	2,154	178	2,276	214
General prize	891	73	1,093	103
Supplies	330	27	1,162	109
	3,375	278	4,531	426

(1) Translated into Hong Kong dollars at the rate of ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

(2) Translated into Hong Kong dollars at the rate of ¥10.64 to HK$1.00, the exchange rate prevailing on 30 March 2012 (i.e. the last business day in March 2012).

Our total inventories decreased from ¥4,531 million (equivalent to approximately HK$426 million) as at 31 March 2012 to ¥3,375 million (equivalent to approximately HK$278 million) as at 31 March 2013. The decrease was attributable to decrease in G-prize of ¥122 million (equivalent to approximately HK$10 million), general prize of ¥202 million (equivalent to approximately HK$17 million) and supplies of ¥832 million (equivalent to approximately HK$69 million).

Pledge of Assets

As at 31 March 2013, certain property, plant and equipment were pledged as securities for the bank borrowings of ¥5,583 million (equivalent to approximately HK$460 million). For the relevant information, please refer to the "Loan facilities" on page 43 of this annual report.

Contingent Liabilities

As at 31 March 2013, we had no material contingent liabilities.

Capital Commitments

The details to capital commitments are provided in note 45 to the financial statements on page 129 of this annual report.

Acquisition and Disposal

For the year ended 31 March 2013, there was no material acquisition and disposal any of our subsidiaries.

Please refer to note 48 to the financial statements on page 132 of this annual report for details of acquisitions subsequent to 31 March 2013.

Significant Investments

Save for the new halls opened, we did not have any significant investments during the year ended 31 March 2013.

Employees

As at 31 March 2013, we had approximately 9,506 employees (31 March 2012: 10,124). We will regularly review remuneration and benefits of its 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 2013 was ¥47,059 million (equivalent to approximately HK$3,880 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 will also use the proceeds from the initial public offering and bank borrowings as capital resources to finance a portion of our operations.

Indebtedness

The following table sets forth our short-term and long-term borrowings as at the dates indicated:

	31 March 2013		31 March 2012	
	(in millions)			
	¥	HK$[1]	¥	HK$[2]
Borrowings:				
Bank loans	**2,796**	**230**	19,772	1,858
Syndicated loans	**2,787**	**230**	3,465	326
	5,583	**460**	23,237	2,184
Represented by:				
Secured	**5,583**	**460**	15,331	1,441
Unsecured	**—**	**—**	7,906	743
	5,583	**460**	23,237	2,184
The borrowings are repayable as follows:				
On demand or within one year	**1,258**	**104**	1,654	155
In the second year	**1,265**	**104**	17,258	1,622
In the third to fifth years, inclusive	**2,310**	**190**	3,275	308
After five years	**750**	**62**	1,050	99
	5,583	**460**	23,237	2,184
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,258)**	**(104)**	(1,654)	(155)
Amount due for settlement after 12 months	**4,325**	**356**	21,583	2,029

The following table sets forth our finance lease payables as at the dates indicated:

	31 March 2013		31 March 2012	
	(in millions)			
	¥	HK$[1]	¥	HK$[2]
Finance lease payables:				
Present value of lease obligations	**2,343**	**193**	3,518	331
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,223)**	**(101)**	(1,187)	(112)
Amount due for settlement after 12 months	**1,120**	**92**	2,331	219

(1) Translated into Hong Kong dollars at the rate of ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

(2) Translated into Hong Kong dollars at the rate of ¥10.64 to HK$1.00, the exchange rate prevailing on 30 March 2012 (i.e. the last business day in March 2012).

Loan facilities

On 15 September 2011, our subsidiary, Dynam, entered into a loan agreement with a syndicate of lenders that amended a commitment line agreement dated 31 March 2011, which provided for a revolving loan facility in an amount of up to ¥25,000 million (the "Revolving Loan Facility"). The Revolving Loan Facility consists of two loans and the commitment of the lenders to provide 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 1.0% 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 28 September 2012, in addition to the above Revolving Loan Facility, 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.

As at 31 March 2013, total amount of the Revolving Loan Facility remained available to be drawn down.

All carrying amount of the borrowings at 31 March 2013 (2012: ¥21,303 million) is arranged at floating interest rate and expose the Group to cash flow interest rate risk. The remaining portion of Group's borrowings is arranged at fixed interest rates, thus exposing the Group to fair value interest rate risk.

As at 31 March 2013, we had total bank borrowings of approximately ¥5,583 million (equivalent to approximately HK$460 million) and were secured by our property, plant and equipment. We also had total finance lease payables of approximately ¥2,343 million (equivalent to approximately HK$193 million), of which approximately ¥1,223 million (equivalent to approximately HK$101 million) was to be repaid within one year.

At the close of business on 31 March 2013, we had a total amount of approximately ¥40,000 million (equivalent to approximately HK$3,298 million) of banking facilities available to us.

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 its 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

Our exposure to interest rate risk arises from bank deposits and borrowings. These deposits and borrowings bear interest at variable rates.

We have used interest rate swaps in order to mitigate our exposure associated with fluctuations in interest rates.

REPORT OF THE DIRECTORS

The Board of 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 2013 (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 under review, the Group opened 7 new halls with low playing cost machines and converted existing 2 halls which focused on four-yen pachinko to specialized halls with low playing cost machines. Consequently, there are now 188 specialized halls with low playing cost machines, making up over half of the Group's 362 halls.

Results and Appropriations

The results of the Group for the year ended 31 March 2013 are set out in the financial statements from page 66 to page 132 of this annual report.

Declaration of Final Dividend

The Board proposed to declare a final dividend of ¥7.25 per ordinary share for the year ended 31 March 2013, the final dividend will be payable on or around 26 June 2013 to the Shareholders whose names appear on the Company's share register at close of business on 31 March 2013. Based on the 742,850,360 Shares in issue as at 31 March 2013, it is expected that the final dividend payable will amount to approximately ¥5,386 million (equivalent to approximately HK$444 million). No Shareholder has waived or agreed to waive any dividends.

The exchange rate for the conversion of Japanese yen to Hong Kong dollars for the dividend distributed to Shareholders in the currency other than Japanese yen will be based on the average currency rates prevailing five trading days immediately after 28 May 2013 (being 29 to 31 May 2013 and 3 to 4 June 2013).

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, the basic policy is set out in the Chairman's Statement on page 16 and Management Discussion and Analysis from page 29 to page 30 of this annual report.

Financial Highlights

A summary of the audited results and of the assets and liabilities of the Group for the last four reporting years is set out from page 10 to page 11 of this annual report.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements from page 107 to page 108 of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in note 32 to the financial statements from page 116 to page 117 of this annual report. As at 31 March 2013, the Group's total current interest-bearing loans amounted to ¥1,258 million (2012: ¥1,654 million) and the total non-current interest-bearing loans amounted to ¥4,325 million (2012: ¥21,583 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 2013 are set out in note 39 to the financial statements on page 122 of this annual report.

Reserves

Details of movements in the reserves of the Company for the year ended 31 March 2013 are set out in the note 41 to the financial statements from page 125 to page 126 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 2013, the Company had reserves available for distribution to its Shareholders of ¥62,137 million (2012: ¥49,801 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 6 August 2012 (the "Listing Date") to 31 March 2013.

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 since the listing of the Shares on 6 August 2012 and at any time before the date of this annual report.

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 2013 and up to the date of this annual report are as follows:

Executive Director

Yoji SATO	appointed on 20 September 2011

Non-executive Director

Noriaki USHIJIMA	appointed on 20 September 2011

Independent Non-executive Directors

Katsuhide HORIBA	appointed on 20 September 2011
Ichiro TAKANO	appointed on 20 September 2011
Yukio YOSHIDA	appointed on 20 September 2011
Mitsutoshi KATO	appointed on 29 February 2012
Thomas Chun Kee YIP	appointed on 29 February 2012

Directors' Biographies

Directors' biographies are set out in the "Directors and Senior Management" from page 18 to page 25 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. As discussed in the section "Confirmation on Independence" in the Corporate Governance Report from page 58 to page 59 of this annual report, the Company considers that the independent non-executive Directors have been independent from their respective date of appointment to 31 March 2013 and remain independent as of the date of this annual report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporation

As at 31 March 2013, the interests and short positions of the Directors and chief executives 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), will be as follows:

(i) Interests in the Company

Name of Directors/ Chief executive officers	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)	248,335,800	
		506,669,120	68.206%
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%
Mr. Kohei SATO	Beneficial owner(4)	55,139,680	
	Other(5)	451,529,440	
		506,669,120	68.206%

Notes:

(1) All interests stated are long positions.

(2) There were 742,850,360 Shares in issue as at 31 March 2013.

(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 an additional chief executive officer in January 2013. 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). The Sato Family Members are the beneficial owners of 248,336,560 Shares. 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 2013, none of the Directors and the chief executives 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 2013, 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)]	344,145,800	
		506,669,120	68.206%
Mr. Kiyotaka SATO	Beneficial owner	20,400,000	
	Other[(6)]	486,269,120	
		506,669,120	68.206%
Mr. Masahiro SATO	Beneficial owner	55,259,680	
	Other[(6)]	451,409,440	
		506,669,120	68.206%
Mr. Shigehiro SATO	Beneficial owner	55,139,680	
	Other[(6)]	451,529,440	
		506,669,120	68.206%
Mrs. Yaeko NISHIWAKI	Beneficial owner	62,396,760	
	Other[(6)]	444,272,360	
		506,669,120	68.206%

Notes:

(1) All interests stated are long positions.

(2) There were 742,850,360 Shares in issue as at 31 March 2013.

(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 shadan houjin* 一般社団法人). 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). The Sato Family Members are the beneficial owners of 248,336,560 Shares. 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 2013, 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 2013, 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 2013, 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.

Continuing Connected Transactions exempt from Independent Shareholders' Approval

The Group has entered into transactions with certain connected persons ("Connected Persons", as defined under Chapter 14A of the Listing Rules), some of which constituted non-exempt continuing connected transactions under the Listing Rules (the "Continuing Connected Transactions"). With respect to those Continuing Connected Transactions, the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules (where applicable). Further details of these Continuing Connected Transactions are set out below and in the chapter headed "Connected Transactions" in the prospectus of the Company dated 24 July 2012 and the Company's announcements dated 8 January 2013 and 16 January 2013.

Set out below is the summary of the continuing connected transactions exempt from independent shareholders' approval for the year ended 31 March 2013:

Nature	Parties involved (other than the Company)	Relationship with the Company	Actual amount (¥ million)	Annual cap (¥ million)
Property lease agreements				
— Food and beverage retail outlet leases	Humap[*1]	Subsidiary of DYH[*5]	304.4	328.2
— Indoor golf simulator business premises lease	X-Golf[*2]	Subsidiary of DYH[*5]	24.6	24.6
— Hot stone sauna business premises lease	Dynam Investment[*3]	Subsidiary of DYH[*5]	7.7	8.0
— Training centre	Dynam Investment	Subsidiary of DYH[*5]	44.9	44.9
— Bicycle parking area	Dynam Investment	Subsidiary of DYH[*5]	9.0	9.0
Cleaning and ancillary service agreements				
— Hall cleaning and ancillary services	Humap	Subsidiary of DYH[*5]	4,365.8	4,500.0
— Office cleaning and ancillary services	Business Partners[*4]	Subsidiary of DYH[*5]	14.2	18.0
Food and beverage supply and services agreements				
— General prizes procurement	Humap	Subsidiary of DYH[*5]	468.5	610.0
— Vending machine licence	Humap	Subsidiary of DYH[*5]	35.9	36.6[(1)]
— Coffee wagon licence	Humap	Subsidiary of DYH[*5]	31.8	32.2[(1)]
— Staff cafeteria service	Humap	Subsidiary of DYH[*5]	70.8	82.9[(1)]

1. HUMAP Japan Co., Ltd. (株式会社日本ヒユウマツプ), 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 is a wholly-owned subsidiary of DYH.

2. 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 is a wholly-owned subsidiary of DYH.

3. Dynam Investment Co., Ltd. (株式会社ダイナム綜合投資), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 9 April 2003 (registration number 0115-01-010317). Dynam Investment is a wholly-owned subsidiary of the DYH.

4. 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 0118-01-024446). Business Partners is a wholly-owned subsidiary of DYH.

*5. Wholly-owned subsidiary of DYH, which was held as to approximately 86.82% collectively by Mr. Yoji SATO, the executive Director, Rich-O and the Sato Family Members, who are the controlling shareholders of the Company.

Note:

1. The annual caps have been revised according to the respective supplemental agreements entered into on 28 December 2012. For details, please refer to the announcements made on 8 January 2013 and 16 January 2013.

Pursuant to Rule 14A.37 of the Listing Rules, the above Continuing Connected Transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these Continuing Connected Transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to us than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of our Company as a whole.

The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules, including the annual caps of the above Continuing Connected Transactions, and will re-comply with the relevant rules of Chapter 14A of the Listing Rules (including independent Shareholders' approval requirements) if any relevant annual cap is exceeded, or when the relevant agreements expire or is renewed or when there is a material change to the terms of the relevant agreements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing a conclusion that in his opinion the continuing connected transactions disclosed by the Group above have no non-compliance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

Other Related Party Transactions

Apart from the aforesaid continuing connected transactions, please refer to note 47 to the financial statements which include details of other related party transactions entered into by the Group during the year ended 31 March 2013, which did not constitute non-exempt connected transactions under Chapter 14A of the Listing Rules.

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 2013 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 the comparable market statistics.

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 13 to the financial statements from page 102 to page 104 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 2013.

Donations

During the year ended 31 March 2013, the Group made donations of approximately ¥145 million.

Pension Scheme

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

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

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:	**2013**	2012
G-prize supplier	**53.6%**	52.8%
General prize supplier	**39.6%**	34.2%
Pachinko and pachislot machine supplier	**16.6%**	13.8%

	Year ended 31 March	
Top five suppliers:	**2013**	2012
G-prize suppliers	**96.1%**	95.6%
General prize suppliers	**80.6%**	77.6%
Pachinko and pachislot machine suppliers	**48.1%**	50.0%

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 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 Corporate Governance Code

Since the Listing Date up to the date of despatch of this annual report, the Company had complied with the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, except for code provision A.2.1 of the Code, which requires that the roles of chairman and chief executive should be separated and should not be performed by the same person and code provision E.1.3, 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 56 to page 63 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 period from the Listing Date to 31 March 2013, the details are set out in the Corporate Governance Report on page 57 of this annual report.

Auditor

The consolidated financial statements of the Company for the year ended 31 March 2013 were prepared in accordance with the International Financial Reporting Standards and audited by RSM Nelson Wheeler ("RSM") to comply with the requirement of the Listing Rules.

The resolution for the appointment of RSM as auditor of the Company will be proposed at the annual general meeting of the Company in accordance with the Listing Rules.

By order of the Board
Yoji SATO
Chairman and Chief Executive Officer

Japan, 28 May 2013

Corporate Governance

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board believes that such commitment will in the long term serve to enhance Shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the Code contained in Appendix 14 to the Listing Rules.

Compliance with the Corporate Governance Code

Since the Listing Date up to the date of despatch of this annual report, the Company has complied with all the applicable code provisions set out in the Code, save and except for the following deviation:

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Notwithstanding that Mr. Kohei SATO was appointed as another chief executive officer of the Company on 25 January 2013, Mr. Yoji SATO currently holds both positions.

Throughout the Group's business history of over four decades, Mr. Yoji SATO has been the key leadership figure of the Group who has been primarily involved in formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises the Company's executive officers. Taking into account the continuation of the implementation of the Company's business plans, the Directors (including the independent non-executive Directors) consider Mr. Yoji SATO to be the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the Shareholders as a whole.

2013 Annual General Meeting

Code provision E.1.3 stipulates that notice for an annual general meeting ("AGM") should be sent to shareholders at least 20 clear business days before the meeting. The AGM for the year ended 31 March of 2013 is scheduled to be held on 25 June 2013, while the AGM notice is expected to be dispatched on 3 June 2013. 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 will be less than 20 clear business days before the AGM.

Under the Companies Act and our 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 2013). It imposes a more stringent timing requirement than the Hong Kong Companies Ordinance, which stipulates normally not more than 15 months shall elapse between the date of one AGM and the next. The Companies Act also requires the notice for the AGM to be despatched 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 International Financial Reporting Standards as required under the Listing Rules. In addition, this is the first time for the Group to prepare the annual report and hold an AGM in compliance with both the Hong Kong and Japanese requirements after the Listing Date. As a result, more time was required to finalise this annual report which accompanies the AGM notice to be despatched 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 period commenced from the Listing Date and ended on 31 March 2013.

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 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 contributing to the success of the implementation of the policies laid down by the Board in connection with the conduct of the businesses of the Group. It is accountable to the Board is required to report back to the Board every three months. The Board currently consists of seven Directors, comprising one executive Director, 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, the chairman, executive Director and Chief Executive Officer of the Company is an elder brother of Mr. Kohei SATO, the other Chief Executive Officer.

Attendance of each Director at Board meetings, committees' meetings and Shareholders' meetings held during the period from the Listing Date to 31 March 2013 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	8	9	7	5	0
Executive Director					
Mr. Yoji SATO (Chairman and Chief Executive Officer)	8/8	Not Applicable	7/7	5/5	0/0
Non-executive Director					
Mr. Noriaki USHIJIMA	8/8	Not Applicable	Not Applicable	Not Applicable	0/0
Independent Non-executive Directors					
Mr. Katsuhide HORIBA	8/8	Not Applicable	7/7	5/5	0/0
Mr. Ichiro TAKANO	8/8	9/9	Not Applicable	Not Applicable	0/0
Mr. Yukio YOSHIDA	8/8	9/9	Not Applicable	Not Applicable	0/0
Mr. Mitsutoshi KATO	8/8	Not Applicable	7/7	5/5	0/0
Mr. Thomas Chun Kee YIP	8/8	9/9	Not Applicable	Not Applicable	0/0

Board meetings were held 8 times, audit committee meetings 9 times, remuneration committee meetings 7 times, and nomination committee meetings 5 times. No shareholders' meeting was held. Attendance rate of each and every director is 100%.

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.

Between 1 October 2006 and 20 September 2011, Mr. Katsuhide HORIBA was an outside director (*shagai torishimariyaku* 社外取締役) of DYH, a connected person of the Company under the Listing Rules. The Directors are of the view that this position does not affect Mr. Katsuhide HORIBA's independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by the Company's Japan legal adviser, Soga Law Office, Mr. Katsuhide HORIBA, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to perform any executive functions in DYH under the relevant Japanese law and (ii) Mr. Horiba is independent of the Company, Directors, Chief Executive Officer, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Mr. Ichiro TAKANO was an outside director (*shagai torishimariyaku* 社外取締役) of DYH between 29 March 2007 and 20 September 2011. The Directors are of the view that this position does not affect Mr. Ichiro TAKANO's independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by the Company's Japan legal adviser, Soga Law Office, Mr. Ichiro TAKANO, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to perform any executive functions in DYH under the relevant Japanese law and (ii) Mr. Takano is independent of the Company, Directors, chief executive officer, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Mr. Yukio YOSHIDA was an outside director (*shagai torishimariyaku* 社外取締役) of DYH between 27 June 2008 and 20 September 2011. The Directors are of the view that this position does not affect Mr. Yukio YOSHIDA's independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by the Company's Japan legal adviser, Soga Law Office, Mr. Yukio YOSHIDA, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to perform any executive functions in DYH under the relevant Japanese law and (ii) Mr. Yoshida is independent of the Company, Directors, chief executive officer, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Directors' Training

Pursuant to code provision A.6.5 of the Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are committed to participating in appropriate continuous professional development activities by ways of attending training or reading material relevant to the Company's business or to the Directors' duties and responsibilities. During the year ended 31 March 2013, the Company has provided an update on the latest development and changes of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities to each of Mr. Yoji SATO, Mr. Noriaki USHIJIMA, Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO, and Mr. Thomas Chun Kee YIP. In addition, Mr. Takano has participated in seminars on professional skills organized by Japanese bar associations; Mr. Yoshida has participated in a workshop on updates on Japanese tax laws; and Mr. Thomas Chun Kee YIP has participated in continuous professional development programs required by The Hong Kong Institute of Certified Public Accountants, and a seminar on non-executive director organized by a professional service firm.

Audit Committee and Review of Financial Statements

The Company has established the audit committee in accordance with the requirements of the Code. 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 9 meetings during the period from the Listing Date up to 31 March 2013 with an attendance rate of 100%. The annual results for the year ended 31 March 2013 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 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 is to review and recommend the remuneration package of all directors and other senior management of the Group.

The remuneration committee held 7 meetings during the period from the Listing Date up to 31 March 2013 with an attendance rate of 100%. The remuneration committee reviewed and recommended to the Board for approval (i) the remuneration package of all three new executive officers of the Company and that of all new directors of the Group; (ii) specific amounts of bonus paid in December 2012 of all directors and other senior management of the Group; and (iii) the amount of retirement allowance of the directors and other senior management who retired with the relevant directors abstained to the discussion of his/her remuneration package.

Details of the Directors' remuneration are set out in note 13 to the 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 2013 is set out below:

Remuneration bands	Number of individual
HK$500,000 to HK$1,000,000 (equivalent to ¥6,065,000 to ¥12,130,000)	1
HK$1,000,001 to HK$2,000,000 (equivalent to ¥12,130,012 to ¥24,260,000)	–
HK$2,000,001 to HK$3,000,000 (equivalent to ¥24,260,012 to ¥36,390,000)	4
HK$3,000,001 to HK$4,000,000 (equivalent to ¥36,390,012 to ¥48,520,000)	1

Nomination Committee

The Company has established the nomination committee in accordance with the requirements of the Code. The Nomination committee consists 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 and senior management.

The nomination committee held 5 meetings during the period from the Listing Date up to 31 March 2013 with an attendance rate of 100%. The nomination committee recommended the appointment of 7 new directors of companies of the Group to each of the relevant company.

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.

During the period from the Listing Date up to 31 March 2013, the Company has prepared the compliance manuals on connected transactions and education materials on what employees of a listed company need to know as guideline for its employees 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 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.

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 law 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 RSM Nelson Wheeler.

During the year ended 31 March 2013, 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 *	45.0	3.71
Non-audit services	0.1	0.01
Total fees	45.1	3.72

* Audit services in connection with the audit of the financial statements of the Company and its subsidiaries for the year ended 31 March 2013.

^ Translated into Hong Kong dollars at the rate of ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

Shareholders' Rights

Rights to demand that Directors to call a Shareholders' meeting

Shareholders holding Shares representing not less than 3% of the votes of all Shareholders 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 dynamjapan_ir@dyjh.co.jp.

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

Shareholders holding not less than 1% of the votes of all Shareholders or not less than 300 votes of all Shareholders 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.

In addition, there was no change in the Company's constitutional documents during the period from the Listing Date to 31 March 2013.

Changes to Information in respect of Directors

Save as disclosed herein, for the period from the Listing Date and up to the date of this report, there were no changes to information required to be disclosed by the Directors pursuant to Rule 13.51B(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. Go UMEHARA, the other joint company secretary appointed by the Company on 1 November 2012. As announced by the Company on 1 November 2012, Mr. Go UMEHARA did not possess the qualifications of company secretary as required under Rules 3.28 and 8.17 of the Listing Rules. The Company has applied, and the Stock Exchange has granted, waiver from strict compliance with Rules 3.28 and 8.17 with respect to the appointment of Mr. Go UMEHARA as the Company's joint company secretary from 1 November 2012 to 19 June 2015 on the grounds that the Company will continue to engage Ms. Mok who meets the requirement of Note 1 to Rule 3.28 to provide assistance to Mr. Go UMEHARA in the discharge of his duties as a joint company secretary and in gaining the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules. Since his appointment as the Company's joint company secretary, Mr. Go UMEHARA has gained the relevant experience in the course of discharging his duties with the professional assistance of Ms. Mok and has undertaken training courses to enhance his knowledge of this area. The Company has complied with Rule 3.29 of the Listing Rules since Ms. Mok has undertaken no less than 15 hours of relevant profession training during the year ended 31 March 2013.

INDEPENDENT AUDITOR'S REPORT

RSM
Audit • Tax • Advisory

TO THE SHAREHOLDERS OF
株式会社ダイナムジャパンホールディングス
DYNAM JAPAN HOLDINGS Co., Ltd.*
(Incorporated in Japan with limited liability)

We have audited the consolidated financial statements of 株式会社ダイナムジャパンホールディングス DYNAM JAPAN HOLDINGS Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 132, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, 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 and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. 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.

* *For identification purpose only*

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 judgement, 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013, and of the Group's results 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 Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

28 May 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Note	2013 ¥ million	2012 ¥ million
Revenue	7	**163,961**	165,078
Other income	8	**9,250**	6,572
Hall operating expenses	9	**(133,904)**	(138,785)
General and administrative expenses		**(3,112)**	(1,754)
Other operating expenses		**(1,906)**	(874)
Profit from operations		**34,289**	30,237
Finance costs	10	**(853)**	(1,833)
Profit before tax		**33,436**	28,404
Income tax expense	11	**(12,511)**	(12,506)
Profit for the year attributable to owners of the Company	12	**20,925**	15,898
Earnings per share	16		
Basic (¥)		**29.7**	25.2
Diluted (¥)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	**2013** **¥ million**	2012 ¥ million
Profit for the year		**20,925**	15,898
Other comprehensive income:			
Exchange differences on translating foreign operations		**375**	–
Fair value changes of available-for-sale financial assets		**197**	(10)
— Income tax arising from fair value changes thereof		**(68)**	3
Actuarial loss on defined benefit retirement plans	35(d)	**(48)**	(194)
— Income tax arising from actuarial loss thereof		**16**	82
Revaluation gain of freehold land upon reclassification from property, plant and equipment to investment properties		**–**	5
— Income tax arising from revaluation gain thereof		**–**	(2)
Other comprehensive income for the year, net of tax		**472**	(116)
Total comprehensive income for the year attributable to owners of the Company		**21,397**	15,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Note	2013 ¥ million	2012 ¥ million
Non-current assets			
Property, plant and equipment	17	**93,853**	95,033
Investment properties	18	**769**	1,027
Intangible assets	19	**1,411**	1,489
Available-for-sale financial assets	20	**706**	509
Held-to-maturity investment	21	**–**	10
Deferred tax assets	36	**9,934**	10,864
Other long-term assets	22	**10,636**	10,658
		117,309	119,590
Current assets			
Inventories	23	**3,375**	4,531
Trade receivables	24	**359**	381
Held-to-maturity investment	21	**10**	–
Prepayments and other receivables	25	**5,337**	3,415
Amounts due from related companies	26	**21**	20
Bank and cash balances	27	**41,466**	28,524
		50,568	36,871
TOTAL ASSETS		**167,877**	156,461
Current liabilities			
Trade payables	28	**905**	1,148
Accruals and other payables	29	**19,376**	21,090
Derivative financial instruments	30	**57**	62
Amounts due to related companies	31	**452**	443
Borrowings	32	**1,258**	1,654
Finance lease payables	34	**1,223**	1,187
Provisions	38	**1,438**	1,460
Current tax liabilities		**5,985**	6,340
		30,694	33,384
Net current assets		**19,874**	3,487
Total assets less current liabilities		**137,183**	123,077

	Note	2013 ¥ million	2012 ¥ million
Non-current liabilities			
Derivative financial instruments	30	**132**	134
Borrowings	32	**4,325**	21,583
Finance lease payables	34	**1,120**	2,331
Retirement benefit obligations	35	**1,869**	1,804
Other long-term liabilities	37	**305**	338
Provisions	38	**3,605**	3,413
		11,356	29,603
NET ASSETS		**125,827**	93,474
Capital and reserves			
Share capital	39	**15,000**	5,000
Reserves	41(a)	**110,827**	88,474
TOTAL EQUITY		**125,827**	93,474

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to owners of the Company										
	Share capital	**Investment revaluation reserve (Note 41(c)(i))**	**Capital reserve (Note 41(c)(ii))**	**Capital surplus (Note 41(c)(iii))**	**Legal reserve (Note 41(c)(iv))**	**Other capital surplus (Note 41(c)(v))**	**Other reserves (Note 41(c)(vi))**	**Foreign currency translation reserve 41(c)(vii))**	**Retained profits**	**Proposed dividend**	**Total equity**
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
At 1 April 2011	6,100	(7)	1,980	1,040	1,257	–	169	–	73,161	1,670	85,370
Total comprehensive income for the year	–	(7)	–	–	–	–	(109)	–	15,898	–	15,782
Change due to incorporation of the Company	(1,100)	–	(46,599)	210	–	49,533	–	–	–	–	2,044
2011 final dividend paid	–	–	–	–	–	–	–	–	–	(1,670)	(1,670)
2012 interim dividend paid	–	–	–	–	–	(1,262)	–	–	(6,790)	–	(8,052)
Total changes in equity for the year	(1,100)	(7)	(46,599)	210	–	48,271	(109)	–	9,108	(1,670)	8,104
At 31 March 2012 and 1 April 2012	5,000	(14)	(44,619)	1,250	1,257	48,271	60	–	82,269	–	93,474
Total comprehensive income for the year	**-**	**129**	**-**	**-**	**-**	**-**	**(32)**	**375**	**20,925**	**-**	**21,397**
Issue of new shares	**10,000**	**-**	**-**	**5,884**	**-**	**-**	**-**	**-**	**-**	**-**	**15,884**
Share issue expenses	**-**	**-**	**-**	**(657)**	**-**	**-**	**-**	**-**	**-**	**-**	**(657)**
2013 interim dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,271)**	**-**	**(4,271)**
2013 proposed final dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,386)**	**5,386**	**-**
Total changes in equity for the year	**10,000**	**129**	**-**	**5,227**	**-**	**-**	**(32)**	**375**	**11,268**	**5,386**	**32,353**
At 31 March 2013	**15,000**	**115**	**(44,619)**	**6,477**	**1,257**	**48,271**	**28**	**375**	**93,537**	**5,386**	**125,827**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 ¥ million	2012 ¥ million
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**33,436**	28,404
Adjustments for:		
Finance costs	**853**	1,833
Interest income	**(1)**	(47)
Dividends income	**(21)**	(127)
Depreciation	**10,507**	10,804
Exchange (gain)/loss	**(3,164)**	352
Amortisation of intangible assets	**473**	495
Loss on disposals and write off of property, plant and equipment	**385**	230
Loss on disposals of investment properties	**50**	–
Intangible assets written off	**1**	94
Impairment loss on property, plant and equipment	**1,082**	226
Impairment loss on available-for-sale financial assets	**–**	1
Impairment loss on other long-term assets	**7**	58
Impairment loss on intangible assets	**47**	–
Fair value loss on investment properties	**10**	21
Provision for retirement benefit obligation	**292**	259
(Reversal of provision)/provision for staff vacation payable	**(22)**	142
Unrealised gain on derivative financial instrument	**(7)**	(247)
Operating profit before working capital changes	**43,928**	42,498
Decrease in inventories	**1,156**	216
Decrease/(increase) in trade receivables	**22**	(29)
Decrease in other long-term assets	**615**	646
Increase in prepayments and other receivables	**(1,805)**	(1,083)
(Increase)/decrease in amounts due from related companies	**(1)**	51
Decrease in trade payables	**(243)**	(84)
(Increase)/decrease in accruals and other payables	**(1,714)**	3,349
Decrease in other long-term liabilities	**(33)**	(9)
Decrease in retirement benefit obligations	**(275)**	(117)
Increase/(decrease) in amounts due to related companies	**9**	(236)
Cash generated from operations	**41,659**	45,202
Income taxes paid	**(11,988)**	(12,360)
Finance costs paid	**(1,341)**	(936)
Net cash generated from operating activities	**28,330**	31,906

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 ¥ million	2012 ¥ million
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(10,723)**	(7,471)
Purchase of intangible assets	**(443)**	(392)
Proceeds from disposals of property, plant and equipment	**47**	6
Proceeds from disposal of investment property	**198**	–
Decrease in fixed bank deposit	**–**	1,243
Decrease in amounts due from related companies	**–**	17,438
Interest received	**1**	47
Dividend received	**21**	127
Net cash (used in)/generated from investing activities	**(10,899)**	10,998
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loans raised	**15,500**	22,000
Convertible bonds raised	**–**	4,999
Repayment of bank loans	**(33,191)**	(37,453)
Repayment of finance lease	**(1,176)**	(1,428)
Repayment of convertible bonds	**–**	(5,368)
Decrease in amounts due to related companies	**–**	(16,947)
Issue of new shares	**15,884**	–
Share issue expenses paid	**(774)**	–
Proceeds from incorporation of the Company under the Reorganisation	**-**	7,242
Dividends paid	**(4,271)**	(4,885)
Net cash used in financing activities	**(8,028)**	(31,840)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,539**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	**12,942**	11,064
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**28,524**	17,460
CASH AND CASH EQUIVALENTS AT END OF YEAR	**41,466**	28,524
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**41,466**	28,524

1. General Information

The Company was incorporated in Japan under the Companies Law with limited liability 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 principal activities of its subsidiaries are set out in note 42 to the financial statements.

On 6 August 2012, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors of the Company, as at 31 March 2013, 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

The companies now comprising the Group are under the common control of the shareholders of 株式会社ダイナムホールディングス DYNAM HOLDINGS Co., Ltd.* ("Dynam Holdings"). Pursuant to the Reorganisation, the Company acquired the entire interests and control of 株式会社ダイナム DYNAM Co., Ltd.* ("Dynam"), 株式会社ダイナム土地建物 DYNAM Land & Building Co., Ltd.* ("Dynam Land & Building"), 株式会社キャビンプラザ Cabin Plaza Co., Ltd.* ("Cabin Plaza"), 大黒天株式会社 Daikokuten Co., Ltd.* ("Daikokuten"), 株式会社オークワジャパン Okuwa Japan Co., Ltd.* ("Okuwa Japan"), 株式会社ダイナム情報処理 DYNAM Data Processing Co., Ltd.* ("Dynam Data Processing"), 株式会社ダイナムPトレーディング Dynam P Trading Co., Ltd.* ("Dynam P Trading"), 株式会社ダイナムアド企画 Dynam Advertisement Planning Co., Ltd.* ("Dynam Advertisement") and 一般社団法人信頼の森 General Incorporated Association Shinrainomori* ("Shinrainomori Association") (collectively, the "Main Group") and operating assets and liabilities ("Operating Assets and Liabilities") on 20 September 2011 by way of issue of shares under company split and the entire interests of 株式会社関東大同販売 Kanto Daido Selling Co., Ltd.* ("Kanto Daido") and 株式会社信頼の森 Shinrainomori Co., Ltd.* ("Shinrainomori") (collectively, the "Second Group") on 1 December 2012 by way of cash, and the Company became the holding company of the Group.

The Reorganisation is more fully explained in Appendix V to the Prospectus of the Company in the paragraph headed "Reorganisation".

As the Company, the Main Group, Operating Assets and Liabilities and the Second Group were both controlled by the shareholders of Dynam Holdings before and after the Reorganisation, the Reorganisation was accounted for as a business combination of entities under common control. The financial statements of the 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 consolidated from the date when they first came under the control of the shareholders of Dynam Holdings.

The consolidated income statement and statement of comprehensive income and consolidated statement 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.

2. Basis of Preparation of the Financial Statements (Continued)

The consolidated statement of financial position has been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 31 March 2013 had been in existence at the end of the reporting period. The net assets of the combining entities are consolidated using the existing book values from the shareholders perspective of Dynam Holdings' 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 shareholders' interest of Dynam Holdings.

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.

3. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

These financial statements have been prepared in accordance with 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, investment properties and derivative financial instruments which are carried at their fair values.

4. 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 its judgements 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 5 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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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

(b) Merger accounting for business combination under common control

As the Company, the Main Group, Operating Assets and Liabilities and the Second Group were both controlled by the shareholders of Dynam Holdings before and after the Reorganisation, the Reorganisation was accounted for as a business combination of entities under common control. The financial statements of the 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 income statement and statement of comprehensive income and consolidated statement 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.

4. Significant Accounting Policies (Continued)

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

The consolidated statement of financial position has been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 31 March 2013 had been in existence at the end of the reporting period. The net assets of the combining entities are consolidated using the existing book values from the shareholders' perspective of Dynam Holdings. 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 shareholders' interest of Dynam Holdings.

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 combination (other than under common control) and goodwill

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.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (note 4(ac)) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

4. 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 ("¥"), 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 (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 the foreign currency translation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

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

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.

Depreciation of property, plant and equipment is calculated at rates sufficient 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 method 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.

(f) Investment properties

Investment properties are land and/or buildings and structures held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(g) 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

(h) Leases

The Group as 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.

The Group as lessor

(i) *Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(i) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

4. Significant Accounting Policies (Continued)

(j) Inventories

(i) Prize

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis.

(ii) Supplies

Inventories 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. Cost is determined on the first in, first out basis.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the 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; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(l) Investments

Investments 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, and are initially measured at fair value, plus directly attributable transaction costs.

(i) 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 subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as available-for-sale financial assets.

4. Significant Accounting Policies (Continued)

(l) Investments (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables or held-to-maturity investments. Available-for-sale financial assets are 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 recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted instruments, they are measured at cost less any identified impairment losses at the end of each reporting period.

(m) 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 and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

4. Significant Accounting Policies (Continued)

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out from note 4(p) to 4(t) to the financial statements.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

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

(s) Financial guarantee contract liabilities

Financial guarantee contract liabilities 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 profit or loss on a straight-line basis over the terms of the guarantee contracts.

(t) Convertible bonds

Convertible bonds which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments which consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in profit or loss. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition.

4. Significant Accounting Policies (Continued)

(u) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value at the end of each reporting period.

Changes in fair value of derivatives are recognised in profit or loss as they arise.

(v) Revenue recognition

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

Commission incomes from vending machines and in-store sales are recognised on an accrual basis in accordance with the terms and conditions of the agreement.

Income from forfeiture of unutilised pachinko balls, pachislot tokens and money stored are recognised in accordance with the terms and conditions of the card and membership agreement.

Income from forfeiture of unused pre-paid IC cards (representing the value of unutilised balls and tokens) is recognised after 20-day period upon the card issuance.

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

Rental income is recognised on a straight-line basis over the lease term.

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

(w) Pachinko and pachislot machine expenses

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

(x) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(ii) *Defined contribution retirement plans*

The Group contributes to defined contribution retirement plans which are available to all 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.

4. Significant Accounting Policies (Continued)

(x) Employee benefits (Continued)

(iii) Defined benefit retirement plans

The Group's obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine the present value. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

Where there is a change in actuarial assumptions, the resulting actuarial gains and losses are recognised directly in the consolidated statement of comprehensive income.

(y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for the intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying assets, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(z) Government grants

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

4. Significant Accounting Policies (Continued)

(aa) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it 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 liability for current tax 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 and 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 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. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

4. Significant Accounting Policies (Continued)

(aa) Taxation (Continued)

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 and the Group intends to settle its current tax assets and liabilities on a net basis.

(ab) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Significant Accounting Policies (Continued)

(ac) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, investments, deferred tax assets, inventories and receivables 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 the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ad) Provisions and contingent liabilities

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. Significant Accounting Policies (Continued)

(ae) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Critical Judgements and Key Estimates

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the operation of pachinko halls. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the operation of pachinko halls. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

5. Critical Judgements and Key Estimates (Continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of certain assets and liabilities involving valuation technique

The investment properties, available-for-sale financial assets and fair value of derivative financial instruments as set out in note 18, note 20 and note 30 to the financial statements respectively also involve valuation techniques. When applying valuation techniques, various subjective assumptions and generally accepted methodologies were used to derive the fair values. Any changes in these assumptions can significantly affect the estimate of the fair value of the underlying assets and liabilities.

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, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

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 has been determined from the higher of fair value less costs to sell and value in use calculation. This calculation requires the use of judgement and estimates.

5. Critical Judgements and Key Estimates (Continued)

(b) Key sources of estimation uncertainty (Continued)

Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with a finite useful life are reviewed by the management at least at the end of each reporting period.

Impairment of available-for-sale financial assets

The Group determines whether the unlisted equity investment is impaired at least on an annual basis and based on the financial statements available from the unlisted equity investment.

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.

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.

Income taxes

The Group is subject to income taxes in Japan. Significant estimates are required in determining the provision for income taxes. Should the final assessment of tax authorities is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate 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) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities, but certain business transactions, assets and liabilities are denominated in Hong Kong dollars and United States dollars. 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 2013, if the Japanese yen had weakened or strengthened 10% against the Hong Kong dollars and United States dollars with all other variables held constant, consolidated profit after tax for the year would have been ¥1,254 million higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in Hong Kong dollars and United States dollars respectively.

(b) Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk mainly through its investment in listed equity securities. This investment is held from a viewpoint of business strategy, not for short term trading purpose. The Group will not sell this investment frequently and the Group periodically reviews the fair value of this investment as well as the financial condition of investees.

The table below summaries the impact of increase/decrease of the share price of underlying financial instrument of the investment on the consolidated other comprehensive income after tax. The analysis stated below is based on the assumption that the underlying share prices of financial instrument had increased/decreased by 5% with all other variables held constant.

6. Financial Risk Management (Continued)

(b) Price risk (Continued)

Impact on consolidated other comprehensive income after tax:

Increase/(decrease) in share prices	2013 ¥ million	2012 ¥ million
5%	19	12
(5%)	(19)	(12)

(c) Credit risk

The carrying amount of the bank and cash balances, derivative financial instruments, trade receivables such as commission income from vending machines, other receivables and amounts due from related companies 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.

It has policies in place to ensure that the Group's third party vending machine operators have appropriate credit histories. Amounts due from related companies are closely monitored by the 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, 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.

6. Financial Risk Management (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor its 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 2013					
Trade payables	**905**	**-**	**-**	**-**	**905**
Accruals and other payables	**19,376**	**-**	**-**	**-**	**19,376**
Derivative financial instruments	**57**	**51**	**72**	**9**	**189**
Amounts due to related companies	**452**	**-**	**-**	**-**	**452**
Finance lease payables	**1,291**	**871**	**280**	**-**	**2,442**
Borrowings	**1,388**	**1,363**	**2,434**	**771**	**5,956**
Other long-term liabilities	**-**	**-**	**-**	**131**	**131**
	23,469	**2,285**	**2,786**	**911**	**29,451**

	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 2012					
Trade payables	1,148	–	–	–	1,148
Accruals and other payables	21,090	–	–	–	21,090
Derivative financial instruments	62	48	76	10	196
Amounts due to related companies	443	–	–	–	443
Finance lease payables	1,302	1,280	1,150	–	3,732
Borrowings	17,919	1,446	3,583	1,118	24,066
Other long-term liabilities	–	–	–	146	146
	41,964	2,774	4,809	1,274	50,821

6. Financial Risk Management (Continued)

(e) Interest rate risk

The Group's exposure to interest-rate risk arises 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 2013, 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) (2012: (decreased)/increased) the Group's profit after tax for the year as follows:

Increase/(decrease) in interest rate	2013 ¥ million	2012 ¥ million
25 basis points	4	(24)
(25) basis points	(4)	24

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

During the year, the Group has been using interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows.

At 31 March 2013, if the underlying interest rate for computation of the fair value of interest rate swap contracts at the end of each reporting period increase/(decrease) 25 basis points with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as a result of change in the fair value of derivative financial instruments as follows:

Increase/(decrease) in interest rate	2013 ¥ million	2012 ¥ million
25 basis points	20	28
(25) basis points	(20)	(28)

6. Financial Risk Management (Continued)

(f) Categories of the Group's financial instruments at 31 March

	2013 ¥ million	2012 ¥ million
Financial assets:		
Available-for-sale financial assets	**706**	509
Held-to-maturity investment	**10**	10
Loans and receivables (including cash and cash equivalents)	**47,494**	34,373
Financial liabilities:		
Derivative financial instruments	**189**	196
Financial liabilities at amortised cost	**22,925**	41,793

(g) Fair value

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 March:

At 31 March 2013

	Fair value measurement using:			
Description	**Level 1 ¥ million**	**Level 2 ¥ million**	**Level 3 ¥ million**	**Total ¥ million**
Assets:				
Available-for-sale financial assets	**611**	**–**	**–**	**611**
Liabilities:				
Derivative financial instruments	**–**	**189**	**–**	**189**

6. Financial Risk Management (Continued)

(g) Fair value (Continued)

At 31 March 2012

Description	Fair value measurement using:			
	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
Assets:				
Available-for-sale financial assets	414	–	–	414
Liabilities:				
Derivative financial instruments	–	196	–	196

7. Revenue

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.

The Group has carried on a single business in a single geographical location, which is the operation of pachinko halls 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 exceed 10% of the Group's revenue.

	2013 **¥ million**	2012 ¥ million
Gross pay-ins	**929,158**	908,309
Less: gross payouts	**(765,197)**	(743,231)
Revenue	**163,961**	165,078

8. Other Income

	2013 ¥ million	2012 ¥ million
Bank interest income	**1**	1
Commission income from vending machines and in-store sales	**4,083**	4,163
Dividends income	**21**	127
Income from forfeiture of unutilised balls and tokens	**409**	332
Interest income on loan to related companies	**–**	46
Net foreign exchange gain	**2,959**	–
Net gain on disposals of used machines	**454**	453
Rental income	**862**	845
Others	**461**	605
	9,250	6,572

9. Hall Operating Expenses

	2013 ¥ million	2012 ¥ million
Advertising expenses	**5,118**	6,265
Cleaning and ancillary services	**4,407**	4,273
Depreciation charges	**10,480**	10,788
G-prize expenses	**5,314**	4,831
Hall staff costs	**45,755**	46,297
Pachinko and pachislot machine expenses	**33,866**	35,739
Rental	**10,268**	10,166
Repair and maintenance	**3,658**	3,889
Utilities expenses	**4,897**	4,716
Others	**10,141**	11,821
	133,904	138,785

10. Finance Costs

	2013 ¥ million	2012 ¥ million
Bond and convertible bonds interest expenses	–	39
Finance leases charges	115	165
Interest expenses on loan from related companies	–	82
Interest on bank loans and syndicated loans		
— Wholly repayable within five years	200	428
— Not wholly repayable within five years	48	135
Total borrowing costs	363	849
Amortisation of syndicated loan bank charges	414	872
Loss on redemption of convertible bonds	–	40
Provision, unwinding of discount	75	70
Others	1	2
	853	1,833

11. Income Tax Expense

	2013 ¥ million	2012 ¥ million
Current tax — Japan Profits Tax		
Provision for the year	11,633	11,737
Under-provision in prior years	–	1
	11,633	11,738
Deferred tax (note 36)	878	768
Income tax expense	12,511	12,506

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2013 (2012: ¥Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year.

11. Income Tax Expense (Continued)

Profits taxes are calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof and are stated as follows:

	2013	2012
The Company	**38.0%**	40.7%
Dynam	**38.0%**	40.7%
Cabin Plaza	**38.6%**	41.2%
Daikokuten	**38.9%**	41.5%
Okuwa Japan	**37.5%**	40.1%
Dynam Land & Building	**38.0%**	40.7%
Dynam Data Processing	**39.4%**	42.1%
Dynam P Trading	**39.4%**	42.1%
Dynam Advertisement	**38.4%**	40.9%
Kanto Daido	**38.4%**	40.9%
Shinrainomori	**38.4%**	40.9%
Shinrainomori Association	**38.0%**	40.7%
Dynam Hong Kong Co., Limited ("Dynam Hong Kong")	**16.5%**	–

Note: On 1 April 2013, Dynam Land & Building has effected an absorption-type merger of Dynam Data Processing, Dynam P Trading and Dynam Advertisement and Cabin Plaza has effected an absorption-type merger of Daikokuten and Okuwa Japan. Upon the completion of merger, Dynam Land & Building has changed its business name to Dynam Business Support Co., Ltd. ("Dynam Business Support").

Under the Tax Reform 2011 announced by The Ministry of Finance of Japan in December 2011 that the corporate income tax rate will be cut by 1.95% from 30.00% to 28.05% from the fiscal years beginning on or after 1 April 2012 to 2014, and further reduced by 2.55% from 28.05% to 25.50% from the fiscal years beginning on or after 1 April 2015. Consequently, the effective corporate tax rate, including the corporate income tax, resident tax and business tax, will be reduced by approximately 5.1% from 40.7% to 35.6% as follows:

	Effective tax rate	
	Y/E 2014 — Y/E 2015	Y/E 2016
The Company	38.0%	35.6%
Dynam	38.0%	35.6%
Cabin Plaza	38.6%	36.3%
Dynam Business Support	38.0%	35.6%
Kanto Daido	38.4%	36.1%
Shinrainomori	38.4%	36.1%
Shinrainomori Association	38.0%	35.6%

11. Income Tax Expense (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:

	2013 **¥ million**	2012 ¥ million
Profit before tax	**33,436**	28,404
Japan Profits Tax rate	**38%**	40%
Tax at the domestic income tax rate	**12,706**	11,362
Tax effect of income that is not taxable	**(4)**	(24)
Tax effect of expenses that are not deductible	**289**	267
Tax effect of temporary differences not recognised	**103**	(29)
Tax effect of utilisation of tax losses not previously recognised	**(310)**	(13)
Tax losses not recognised	**1**	254
Under-provision in prior years	**–**	1
Effect of different tax rates of subsidiaries	**(94)**	84
Effect of change in tax rate	**68**	599
Others	**(248)**	5
Income tax expense	**12,511**	12,506

12. Profit for the Year

The Group's profit for the year is stated after charging/(crediting) the following:

	2013 ¥ million	2012 ¥ million
Amortisation of intangible assets (included in hall operating expenses)	**473**	495
Auditor's remuneration	**45**	47
Depreciation	**10,507**	10,804
Directors' emoluments		
— As directors	**85**	49
— As management	**–**	–
	85	49
Fair value loss on investment properties	**10**	21
Impairment loss on property, plant and equipment	**1,082**	226
Impairment loss on available-for-sale financial assets	**–**	1
Impairment loss on other long-term assets	**7**	58
Impairment loss on intangible assets	**47**	–
Intangible assets written off	**1**	94
Loss on disposals and write off of property, plant and equipment	**385**	230
Loss on disposal of investment properties	**50**	–
Net foreign exchange gain	**(2,959)**	–
Net loss on derivative financial instruments	**57**	12
Operating lease charges		
— Land and buildings	**10,340**	10,249
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	**46,293**	46,540
— Expenses recognised in respect of defined benefit retirement plans	**292**	259
— Contribution to defined contribution retirement plans	**474**	448
	47,059	47,247

13. 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	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
Year ended 31 March 2013					
Executive director					
Mr. Yoji Sato	-	33.6	8.4	6.8	48.8
Non-executive director					
Mr. Noriaki Ushijima	-	6.0	0.4	-	6.4
Independent non-executive director					
Mr. Katsuhide Horiba	-	6.0	0.4	-	6.4
Mr. Ichiro Takano	-	6.0	0.4	-	6.4
Mr. Yukio Yoshida	-	6.0	0.4	-	6.4
Mr. Mitsutoshi Kato	-	5.0	0.3	-	5.3
Mr. Thomas Chun Kee Yip	-	5.0	0.3	-	5.3
Total	-	67.6	10.6	6.8	85.0
Chief executive officer					
Mr. Kohei Sato	-	5.6	1.2	1.1	7.9

13. 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 2012					
Executive director					
Mr. Yoji Sato	–	16.8	4.2	3.4	24.4
Non-executive director					
Mr. Noriaki Ushijima	–	4.5	0.2	–	4.7
Independent non-executive director					
Mr. Katsuhide Horiba	–	3.0	0.2	–	3.2
Mr. Ichiro Takano	–	3.0	0.2	–	3.2
Mr. Noboru Tamura	–	7.0	0.9	1.5	9.4
Mr. Yukio Yoshida	–	3.0	0.2	–	3.2
Mr. Mitsutoshi Kato	–	0.4	–	–	0.4
Mr. Thomas Chun Kee Yip	–	0.4	–	–	0.4
Total	–	38.1	5.9	4.9	48.9

Notes:

(i) Except Mr. Mitsutoshi Kato and Mr. Thomas Chun Kee Yip, all the above directors were appointed on 20 September 2011.

(ii) Mr. Mitsutoshi Kato and Mr. Thomas Chun Kee Yip were appointed on 29 February 2012.

(iii) Mr. Kohei Sato was appointed on 25 January 2013.

(iv) Mr. Noboru Tamura resigned on 29 February 2012.

(v) 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 2013 (2012: ¥Nil).

13. 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 (2012: one) director whose emolument is reflected in the analysis presented above. The emoluments of the remaining four (2012: four) individuals, one of them became the chief executive officer since 25 January 2013 and the details of remuneration are disclosed above, are set out below:

	2013 ¥ million	2012 ¥ million
Salaries and allowances	82	88
Discretionary bonus	19	14
Retirement benefit contributions scheme	12	14
	113	116

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

	2013	2012
HK$2,000,001 to HK$2,500,000 (equivalent to ¥24,260,012 to ¥30,325,000) (2012: equivalent to ¥20,000,010 to ¥25,000,000)	3	3
HK$2,500,001 to HK$3,000,000 (equivalent to ¥30,325,012 to ¥36,390,000) (2012: equivalent to ¥25,000,010 to ¥30,000,000)	–	–
HK$3,000,001 to HK$3,500,000 (equivalent to ¥36,390,012 to ¥42,455,000) (2012: equivalent to ¥30,000,010 to ¥35,000,000)	1	–
HK$3,500,001 to HK$4,000,000 (equivalent to ¥42,455,012 to ¥48,520,000) (2012: equivalent to ¥35,000,010 to ¥40,000,000)	–	–
HK$4,000,001 to HK$4,500,000 (equivalent to ¥48,520,012 to ¥54,585,000) (2012: equivalent to ¥40,000,010 to ¥45,000,000)	–	–
HK$4,500,001 to HK$5,000,000 (equivalent to ¥54,585,012 to ¥60,650,000) (2012: equivalent to ¥45,000,010 to ¥50,000,000)	–	1

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 2013 (2012: ¥Nil).

14. Retirement Benefit Schemes

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.

The Company and its subsidiaries incorporated in Japan have lump-sum retirement benefit plans. In addition, the Company and its certain subsidiaries also have defined contribution retirement plans and unfunded defined benefit retirement plans. The plans cover all full-time employees and directors, and provide the benefits based on the length of service.

15. Dividends

The Company and the Company's subsidiaries made the following distributions to its then shareholders.

	2013		2012		
Dividends declared and paid/payable to its then shareholders by:	**Dividend per share ¥**	**Total dividends ¥ million**	Dividend per share ¥	Total dividends ¥ million	
The Company					
— Interim	**5.75**	**4,271**	40	1,262	
— Final	**7.25**	**5,386**	–	–	
Dynam					
— First interim	**–**	**–**	149	4,837	(*)
— Second interim	**–**	**–**	60	1,953	
		9,657		8,052	

(*) It was settled by the available-for-sale financial assets.

16. Earnings Per Share

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

	2013 **¥ million**	2012 ¥ million
Earnings for the purpose of calculating basic earnings per share	**20,925**	15,898
Weighted average number of shares before sub-division and issue of new shares	**31,542,518**	31,542,518
Effect of sub-division of shares	**599,307,842**	599,307,842
Weighted average number of issue of new shares	**73,030,137**	–
Weighted average number of shares for the purpose of calculating basic earnings per share	**703,880,497**	630,850,360

No diluted earnings per share was presented for the years ended 31 March 2013 and 2012 as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2013 and 2012.

17. 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 2011	28,215	115,836	65,767	203	341	210,362
Additions	4	2,428	4,978	10	578	7,998
Transfer	–	915	–	–	(915)	–
Transfer to investment properties (note 18)	(61)	–	–	–	–	(61)
Acquired from Dynam Holdings	200	156	2	–	–	358
Disposals/write off	(4)	(590)	(169)	(92)	–	(855)
At 31 March 2012 and 1 April 2012	28,354	118,745	70,578	121	4	217,802
Additions	71	4,388	6,125	1	256	10,841
Transfer	–	132	–	–	(132)	–
Disposals/write off	(85)	(923)	(848)	(67)	–	(1,923)
At 31 March 2013	28,340	122,342	75,855	55	128	226,720
Accumulated depreciation and impairment						
At 1 April 2011	1,666	61,865	48,656	171	–	112,358
Charge for the year	–	5,560	5,226	18	–	10,804
(Reversal of impairment loss)/ impairment loss	(48)	173	101	–	–	226
Disposals/write off	–	(426)	(102)	(91)	–	(619)
At 31 March 2012 and 1 April 2012	1,618	67,172	53,881	98	–	122,769
Charge for the year	–	5,466	5,030	11	–	10,507
Impairment loss	422	489	171	–	–	1,082
Disposals/write off	–	(694)	(730)	(67)	–	(1,491)
At 31 March 2013	2,040	72,433	58,352	42	–	132,867
Carrying amount						
At 31 March 2013	26,300	49,909	17,503	13	128	93,853
At 31 March 2012	26,736	51,573	16,697	23	4	95,033

17. Property, Plant and Equipment (Continued)

(a) The lands are situated in Japan and are analysed as follows:

	2013 **¥ million**	2012 ¥ million
Freehold	**26,300**	26,736

(b) At 31 March 2013, the carrying amount of tools and equipment and motor vehicles held by the Group under finance leases amounted to ¥2,309 million (2012: ¥3,441 million).

(c) At 31 March 2013, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to ¥28,076 million (2012: ¥29,020 million).

(d) The Group carried out reviews of the recoverable amount of its property, plant and equipment at the end of the reporting period. Cash-generating unit ("CGU") has been based on individual pachinko hall. The recoverable amount of the CGU is determined from the higher of fair value less costs to sell 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, on cost approach.

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

	2013 **%**	2012 %
Discount rate	**8.6**	8.7

(e) The total market value of the property portfolio was ¥67.42 billion as at 30 June 2012. Details of such valuation refer to the chapter headed "Business" of the Prospectus.

18. Investment Properties

	2013 ¥ million	2012 ¥ million
At beginning of year	**1,027**	982
Transfer from property, plant and equipment (note 17)	**–**	66
Disposals	**(248)**	–
Fair value loss	**(10)**	(21)
At end of year	**769**	1,027

The investment properties at their carrying amounts are analysed as follows:

	2013 ¥ million	2012 ¥ million
In Japan		
Freehold	**322**	574
Medium-term lease	**447**	453
	769	1,027

The Group's investment properties were revalued at 31 March 2013 and 31 March 2012 on income approach or sales comparison approach by DTZ.

19. Intangible Assets

	Goodwill ¥ million	Trademarks ¥ million	Computer software ¥ million	Total ¥ million
Cost				
At 1 April 2011	47	5	4,264	4,316
Additions	–	2	390	392
Acquired from Dynam Holdings	–	8	–	8
Write off	–	–	(268)	(268)
At 31 March 2012 and 1 April 2012	47	15	4,386	4,448
Additions	–	4	439	443
Write off	–	–	(421)	(421)
At 31 March 2013	47	19	4,404	4,470
Accumulated amortisation and impairment				
At 1 April 2011	–	4	2,634	2,638
Amortisation for the year	–	1	494	495
Write off	–	–	(174)	(174)
At 31 March 2012 and 1 April 2012	–	5	2,954	2,959
Amortisation for the year	–	2	471	473
Write off	–	–	(420)	(420)
Impairment loss	47	–	–	47
At 31 March 2013	47	7	3,005	3,059
Net book value				
At 31 March 2013	–	12	1,399	1,411
At 31 March 2012	47	10	1,432	1,489

Goodwill arose on acquisitions of subsidiaries in prior years. Goodwill is allocated to the Group's CGU identified according to its operation and business as follows:

	2013 ¥ million	2012 ¥ million
Trading of pachinko machines	**10**	10
Operation of pachinko halls	**37**	37
	47	47
Less: Impairment loss	**(47)**	–
	–	47

20. Available-For-Sale Financial Assets

	2013 ¥ million	2012 ¥ million
Equity securities at fair value, listed in Japan	**611**	414
Equity securities at cost, unlisted	**90**	90
Club membership at cost	**5**	5
	706	509

The fair values of listed securities are based on current bid prices. Unlisted equity securities were carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

21. Held-to-Maturity Investment

Held-to-maturity investment comprises national bond issued by Japan government, carries fixed interest rate at 1% (2012: 1%) per annum, payable bi-annually and will mature in June 2013.

22. Other Long-Term Assets

	2013 ¥ million	2012 ¥ million
Pre-paid rental expenses	**4,736**	5,081
Pre-paid insurance expenses	**1**	8
Pre-paid lender commitment fee	**306**	228
Rental deposits	**5,322**	5,061
Others	**271**	280
	10,636	10,658

No other long-term assets pledged as security for the Group's borrowings at 31 March 2013 (2012: ¥491 million).

23. Inventories

	2013 ¥ million	2012 ¥ million
G-prize	**2,154**	2,276
General prize	**891**	1,093
Supplies	**330**	1,162
	3,375	4,531

24. Trade Receivables

The Group's trade receivables relate to commission income from vending machines. During the year, the credit terms generally range to 30 days (2012: 30 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2013 **¥ million**	2012 ¥ million
0 to 30 days	**359**	381

No balances were past due during the year ended 31 March 2013 (2012: ¥Nil).

25. Prepayments and Other Receivables

	2013 **¥ million**	2012 ¥ million
Prepayments		
Lender commitment fee	**427**	226
Insurance	**4**	81
Initial public offering ("IPO") expenses	**–**	533
Rental	**1,671**	1,817
Staff costs	**1**	51
Withholding tax receivables	**3,060**	423
Others	**119**	177
	5,282	3,308
Other receivables		
Consumption tax refundable	**7**	53
Income tax refundable	**–**	54
Others	**48**	–
	55	107
	5,337	3,415

No prepayments and other receivables pledged as security for the Group's borrowings at 31 March 2013 (2012: ¥35 million).

26. Amounts Due from Related Companies

Amounts due from related companies as disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	2013 ¥ million	2012 ¥ million
株式会社ビジネスパートナーズ Business Partners Co., Ltd.* (“Business Partners”)	**1**	2
Dynam Holdings	**5**	4
株式会社ダイナム綜合投資 Dynam Investment Co., Ltd.* (“Dynam Investment”)	**–**	1
株式会社日本ヒュウマツプ Humap Japan Co., Ltd.* (“Humap”)	**9**	6
株式会社パチンコリース Pachinko Leasing Co., Ltd.* (“Pachinko Leasing”)	**1**	1
株式会社X-GOLF JAPAN X-GOLF JAPAN Co., Ltd.* (“X-Golf”)	**5**	6
	21	20

Notes:

(i) The maximum balances outstanding for the amounts due from related companies during the year were as follows:

	2013 ¥ million	2012 ¥ million
Business Partners	**1**	5
Dynam Holdings	**5**	11,747
Dynam Investment	**1**	2
Humap	**9**	12
Pachinko Leasing	**2**	4
株式会社TRUSTY POWER TRUSTY POWER Co., Ltd.* (“Trusty Power”)	**–**	86
X-Golf	**10**	13
株式会社チンギスハーン旅行 Genghis Khan Travel Co., Ltd.* (“Genghis Khan Travel”)	**–**	1

(ii) The amounts due from related companies are trade in nature, unsecured, interest-free and aged within 30 days.

(iii) Mr. Yoji Sato and Mr. Kohei Sato are interested in the above transactions to the extent that they are beneficial shareholders of Dynam Holdings.

27. Bank and Cash Balances

The bank and cash balances are as follows:

	2013 ¥ million	2012 ¥ million
Cash on hand	**7,701**	6,835
Cash at bank	**33,765**	21,689
Cash and cash equivalents	**41,466**	28,524

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

	2013 ¥ million	2012 ¥ million
Hong Kong dollars	**18,489**	–
Japanese yen	**21,233**	28,339
United States dollars	**1,744**	185
	41,466	28,524

28. Trade Payables

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

	2013 ¥ million	2012 ¥ million
0 to 30 days	**905**	1,148

29. Accruals and Other Payables

	2013 ¥ million	2012 ¥ million
Accrued interest expenses	**2**	8
Accrued staff costs	**7,566**	7,598
Advertisement and promotion payables	**449**	512
Unutilised balls and tokens	**3,458**	4,198
Halls construction and system payables	**3,075**	2,669
Other tax expenses (*)	**1,246**	1,816
Pachinko and pachislot machines payables	**2,821**	3,745
Rental receipt in advance	**64**	73
Others	**695**	471
	19,376	21,090

(*) It represents consumption tax payable, assets acquisition tax payable, business office tax payable and withholding tax payable.

30. Derivative Financial Instruments

	2013 **¥ million**	2012 ¥ million
Interest rate swap contracts, at fair value	**189**	196
Less: current portion	**(57)**	(62)
Non-current portion	**132**	134

The Group entered into interest rate swap contracts to mitigate exposure associated with fluctuations relating to interest cash flows. The underlining currency of interest rate swap contracts is denominated in ¥. At 31 March 2013, the total notional amount of the outstanding interest rate swap contracts to which the Group are committed is as follows:

	2013 **¥ million**	2012 ¥ million
Interest rate swap contracts	**5,107**	6,121

The fair value of the interest rate swap contracts as at 31 March 2013 and 2012 is based on the valuation performed by AVISTA Valuation Advisory Limited ("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.

31. Amounts Due to Related Companies

Name	**2013** **¥ million**	2012 ¥ million
Business Partners	**1**	4
Dynam Holdings	**–**	2
Dynam Investment	**1**	1
Genghis Khan Travel	**10**	8
Humap	**440**	428
	452	443

Notes:

(i) The amounts due to related companies of the Group are trade in nature, unsecured, interest-free and aged within 30 days.

(ii) Mr. Yoji Sato and Mr. Kohei Sato are interested in the above transactions to the extent that they are beneficial shareholders of Dynam Holdings.

32. Borrowings

	2013 **¥ million**	2012 ¥ million
Bank loans	**2,796**	19,772
Syndicated loans	**2,787**	3,465
	5,583	23,237
Represented by:		
Secured	**5,583**	15,331
Unsecured	**–**	7,906
	5,583	23,237
The borrowings are repayable as follows:		
On demand or within one year	**1,258**	1,654
In the second year	**1,265**	17,258
In the third to fifth years, inclusive	**2,310**	3,275
After five years	**750**	1,050
	5,583	23,237
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,258)**	(1,654)
Amount due for settlement after 12 months	**4,325**	21,583

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

	2013 **%**	2012 %
Bank loans	**1.9**	1.3
Syndicated loans	**1.9**	1.9

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

	2013 **¥ million**	2012 ¥ million
Property, plant and equipment	**28,076**	29,020
Other long-term assets	**–**	491
Prepayments deposit and other receivables	**–**	35
	28,076	29,546

Corporate guarantee was given by the Company at 31 March 2013 and 2012 for the Group's borrowings.

32. Borrowings (Continued)

(c) All carrying amount of the borrowings at 31 March 2013 (2012: ¥21,303 million) is arranged at floating interest rate and expose the Group to cash flow interest rate risk. The remaining portion of Group's borrowings is arranged at fixed interest rates, thus exposing the Group to fair value interest rate risk.

33. Convertible Bonds

On 22 November 2011, the Company entered into convertible bonds agreements (the "convertible bond agreements") with seven independent investors (the "bondholders") in respect of the issue of US$65 million convertible bonds (the "Convertible Bonds"). The maturity date of the Convertible Bonds is 21 November 2012. The Convertible Bonds bear interest from the date of issue at the rate of 1% per annum and is payable in arrears on the maturity date.

Subject to the completion of the initial public offering of the Company under the convertible bond agreements and the exercise of conversion right by the bondholders, the Company should allot and issue to the Bondholders an ordinary share which is based on the conversion price to determine. The conversion price of the Convertible Bonds shall be the higher of (i) 75% of the offer price of the Global Offering and (ii) fixed at ¥3,000 per ordinary share (subject to sub-division or adjustment as agreed between the Company and the bondholders from time to time pursuant to the terms of the convertible bond agreements).

		Derivative components				
	Liability component ¥ million	Conversion option ¥ million	Redemption option ¥ million	Foreign exchange option ¥ million	Sub-total ¥ million	Total ¥ million
Proceeds from issuance of Convertible Bonds	4,920	752	(673)	–	79	4,999
Effective interest charged for the year	39	–	–	–	–	39
Change in fair value	–	156	(206)	(12)	(62)	(62)
Exchange alignment	352	–	–	–	–	352
Redemption of Convertible Bonds	(5,368)	-	–	–	–	(5,368)
Loss on redemption of Convertible Bonds	57	(908)	879	12	(17)	40
At 31 March 2012	–	–	–	–	–	-

On 1 March 2012, the Company issued a notice to each of the Convertible Bond holders to fully redeem the Convertible Bonds at a price equivalent to the principal amounts of the Convertible Bonds together with interest accrued thereon, in accordance with the terms of the Convertible Bonds. The full redemption of the Convertible Bonds was completed on 12 March 2012.

The interest charged for the year ended 31 March 2012 is calculated by applying an effective interest rate of 2.4% per annum to the liability component for the 3.7 month period since the bonds were issued and up to the date of redemption.

33. Convertible Bonds (Continued)

The derivative components are measured at its fair value at the dates of issue and redemption based on the valuation performed by Avista. The fair values are estimated using Binomial Model and the key assumptions used are as follows:

	Date of redemption	Date of issue
Share price at fair value	¥3,818	¥3,286
Conversion price	HK$364	HK$364
Expected volatility	60.49%	55.68%
Expected life	0.7 year	1 year
Risk free rate	0.12%	0.16%
Expected dividend yield	4.22%	4.90%

34. Finance Lease Payables

	Minimum lease payments		Present value of minimum payments	
	2013	2012	**2013**	2012
	¥ million	¥ million	**¥ million**	¥ million
Within one year	**1,291**	1,302	**1,223**	1,187
In the second to fifth years, inclusive	**1,151**	2,430	**1,120**	2,331
	2,442	3,732	**2,343**	3,518
Less: Future finance charges	**(99)**	(214)	**–**	–
Present value of lease obligations	**2,343**	3,518	**2,343**	3,518
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,223)**	(1,187)
Amount due for settlement after 12 months			**1,120**	2,331

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 (2012: 5 years). The weighted average borrowing rate per annum at 31 March 2013 was 3.9% (2012: 3.6%). 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.

35. Retirement Benefit Obligations

The Group's defined benefit retirement plans are the unfunded pension plans for full-time employees and directors upon retirement.

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

	2013 **¥ million**	2012 ¥ million
At beginning of year	**1,804**	1,462
Acquired from Dynam Holdings	**–**	6
Current service cost	**254**	211
Interest cost	**38**	48
Benefit paid	**(275)**	(117)
Actuarial losses	**48**	194
At end of year	**1,869**	1,804

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

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

	2013 **¥ million**	2012 ¥ million
Current service cost	**254**	211
Interest cost	**38**	48
	292	259

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

	2013 **¥ million**	2012 ¥ million
Actuarial losses recognised	**48**	194

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

	2013 **%**	2012 %
Discount rate	**1.8341**	2.0750
Future salary increases	**2.3700**	2.4600

36. Deferred Tax Assets

	Property, plant and equipment	Staff costs	Unutilised balls and tokens	Pre-paid rent	Pachinko and pachislot machines	Investment properties	Others	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
At 1 April 2011	(1,867)	2,629	1,603	1,065	7,067	122	930	11,549
Credit/(charge) to equity for the year	-	82	-	-	-	(2)	3	83
Credit/(charge) to profit or loss for the year(note 11)								
– origination and reversal of temporary differences	(47)	152	18	173	(458)	8	(15)	(169)
– effect of change in tax rate	258	(198)	(81)	(157)	(334)	(16)	(71)	(599)
At 31 March 2012 and 1 April 2012	(1,656)	2,665	1,540	1,081	6,275	112	847	10,864
Credit/(charge) to equity for the year	-	16	-	-	-	-	(68)	(52)
Credit/(charge) to profit or loss for the year (note 11)								
– origination and reversal of temporary differences	379	37	(1,540)	188	50	(83)	159	(810)
– effect of change in tax rate	104	(49)	-	(81)	(15)	(2)	(25)	(68)
At 31 March 2013	(1,173)	2,669	-	1,188	6,310	27	913	9,934

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

	2013	2012
	¥ million	¥ million
Deferred tax assets	**11,107**	12,520
Deferred tax liabilities	**(1,173)**	(1,656)
	9,934	10,864

At 31 March 2013, the Group has unused tax losses of ¥556 million (2012: ¥1,366 million) from some of its subsidiaries available for offset against future profits in these subsidiaries respectively. No deferred tax asset in relation to unused tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of ¥556 million (2012: ¥1,366 million) that will expire during the year from 2019 to 2022 (2012: 2018 to 2021) respectively.

37. Other Long-Term Liabilities

	2013 ¥ million	2012 ¥ million
Rental deposits received	**131**	146
Rental receipt in advance	**174**	192
	305	338

38. Provisions

	Asset retirement obligation (note (i)) ¥ million	Staff vacation payable (note (ii)) ¥ million	Total ¥ million
At 1 April 2011	3,315	1,318	4,633
Provision for the year	28	142	170
Changes in present value	70	–	70
At 31 March 2012 and 1 April 2012	3,413	1,460	4,873
Provision/(reversal of provision) for the year	117	(22)	95
Changes in present value	75	–	75
At 31 March 2013	3,605	1,438	5,043

Analysed as:

	2013 ¥ million	2012 ¥ million
Current liabilities	**1,438**	1,460
Non-current liabilities	**3,605**	3,413
	5,043	4,873

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.

(ii) Staff vacation payable represents leave entitlements of employees.

39. Share Capital

The Company was incorporated in Japan on 20 September 2011. At the date of incorporation, 31,542,518 shares of the Company with the fully paid amount of ¥5,000 million were issued to Dynam Holdings as initial capital of the Company for the acquisition of the entire interest and control of Main Group, Operating Assets and Liabilities. Consequently, the issued share capital as at 20 September 2011 represented the issued share capital of the Company as at 31 March 2012.

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

	Note	Number of ordinary shares	¥ million
Authorised:			
At 31 March 2012 and 1 April 2012		126,000,000	–
Increase in authorised share capital	(i)	2,394,000,000	–
At 31 March 2013		2,520,000,000	–
Issued and fully paid:			
Issued during the year and at 31 March 2012 and 1 April 2012		31,542,518	5,000
Share sub-division	(i)	599,307,842	–
Issue of new shares	(ii)	112,000,000	10,000
At 31 March 2013		742,850,360	15,000

Notes:

(i) Pursuant to the resolutions of the Board of directors dated 5 June 2012, the directors approved: (i) the increase of the number of shares authorised was issued by the Company from 126,000,000 shares to 2,520,000,000 shares; and (ii) the sub-division of every issued share of nil par value in the share capital into 20 shares of nil par value, such that the issued share capital of the Company increased from 31,542,518 shares to 630,850,360 shares. The sub-division took effect on 21 June 2012.

(ii) In connection with the Company's IPO, 112,000,000 shares were issued at a price of HK$14 per share for a total cash consideration, before listing expenses, of HK$1,568 million (equivalent to approximately ¥15,884 million). The directors resolved that ¥10,000 million and ¥5,884 million were allocated to share capital and capital surplus respectively. Dealings of these shares on the Stock Exchange commenced on 6 August 2012.

(iii) 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 stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged during the year.

(iv) The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital and accumulated profits.

(v) 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.

(vi) 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.

40. Statement of Financial Position of the Company

	Note	2013 ¥ million	2012 ¥ million
Investment in subsidiaries		**59,742**	54,071
Due from subsidiaries — non-current portion	(i)	**640**	5,309
Other non-current assets		**687**	384
Due from subsidiaries — current portion	(ii)	**6,396**	186
Other current assets		**20,662**	3,127
Due to subsidiaries — current portion	(iii)	**(2,843)**	(3,241)
Current tax liabilities		**(559)**	–
Other current liabilities		**(269)**	(434)
Due to a subsidiary — non-current portion	(iv)	**–**	(2,800)
Other non-current liabilities		**(106)**	(248)
		84,350	56,354
Share capital		**15,000**	5,000
Reserves		**69,350**	51,354
TOTAL EQUITY		**84,350**	56,354

Notes:

(i) Due from subsidiaries — non-current portion

Amounts due from subsidiaries — non-current portion are unsecured, interest bearing at a fixed interest rate of 3% (2012: 3%) per annum and therefore are subject to fair value interest rate risks and are repayable by instalments and lump sum settlement at the specific dates.

(ii) Due from subsidiaries — current portion

(a) Included in the current portion of the amounts due from subsidiaries was an amount of ¥6,270 million (2012: Nil) 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) Included in the current portion of the amounts due from subsidiaries was an amount of ¥121 million (2012: ¥182 million) which is unsecured, interest bearing at a fixed interest rate of 3% (2012: 3%) per annum and therefore are subject to fair value interest rate risks and is repayable by instalments and lump sum settlement at the specific dates.

(c) The remaining current portion of the amounts due from subsidiaries represents non-interest bearing balance and is trade in nature.

40. Statement of Financial Position of the Company (Continued)

Notes: (Continued)

(iii) Due to subsidiaries — current portion

(a) Included in the current portion of the amounts due to subsidiaries was an amount of ¥2,828 million (2012: ¥1,311 million) which is unsecured, interest bearing at fixed interest rates of 1-month TIBOR per annum at contract dates, thus exposing the Company to fair value interest rate risk and has no fixed term of repayment.

(b) No current portion of the amounts due to subsidiaries was arranged at fixed interest rate as at 31 March 2013. An amount of ¥1,700 million in 2012 which is unsecured, interest bearing at a fixed interest rate of 2% per annum and thus, exposes the Company to fair value interest rate risk.

(c) The remaining current portion of the amounts due to subsidiaries represents non-interest bearing balance and is trade in nature.

(iv) Due to a subsidiary — non-current portion

No non-current portion of the amount due to a subsidiary as at 31 March 2013. The amount due to a subsidiary in 2012 which is unsecured, interest bearing at a fixed interest rate of 2.9% per annum and thus, exposes the Company to fair value interest rate risk.

41. Reserves

(a) Group

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

(b) Company

	Capital surplus (Note 41(c)(iii))	Other capital surplus (Note 41(c)(v))	Other reserves (Note 41(c)(vi))	Retained profits	Proposed dividend	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Total comprehensive income for the year	-	-	1	1,832	-	1,833
Additions arising from acquisition of the entire interest of Main Group and the Operating Assets and Liabilities from Dynam Holdings	1,250	49,533	-	-	-	50,783
2012 interim dividend paid	-	(1,262)	-	-	-	(1,262)
At 31 March 2012 and 1 April 2012	1,250	48,271	1	1,832	-	51,354
Total comprehensive income for the year	-	-	(3)	17,043	-	17,040
Issues of new shares	5,884	-	-	-	-	5,884
Shares issue expenses	(657)	-	-	-	-	(657)
2013 interim dividend paid	-	-	-	(4,271)	-	(4,271)
2013 proposed final dividend	-	-	-	(5,386)	5,386	-
At 31 March 2013	6,477	48,271	(2)	9,218	5,386	69,350

(c) Nature and purpose of reserves

(i) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(l)(ii) to the financial statements.

(ii) Capital reserve

Capital reserve represents the difference between the cost of investment and share capital in an acquired subsidiary under common control and the cost of investment in other acquired subsidiaries.

(iii) 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.

41. Reserves (Continued)

(c) Nature and purpose of reserves (Continued)

(iv) 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.

(v) Other capital surplus

Other capital surplus arising from the Reorganisation under company split on 20 September 2011, it represents the difference between the amount of net assets acquired on 20 September 2011 from Dynam Holdings and the amount of the share capital and of the additional paid-in-capital upon the formation of the Company. Under the Japan Company Law, upon approval of the general meeting of shareholders, the other capital surplus may be used to dividend distribution.

(vi) Other reserves

Other reserves included the actuarial (loss)/gain of defined benefit retirement plans and revaluation gain on freehold land upon reclassification from property, plant and equipment to investment properties.

(vii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d)(iii) to the financial statements.

(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 ("JGAAP").

42. Subsidiaries

Particulars of the subsidiaries as at 31 March 2013 are as follows:

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			2013	2012	
Dynam	Japan 25 July 1967	¥5,000,000,000	**100%**	100%	Operation of pachinko halls
Cabin Plaza (Note (i))	Japan 25 May 1988	¥10,000,000	**100%**	100%	Operation of pachinko halls
Daikokuten (Note (ii))	Japan 12 March 1977	¥95,000,000	**100%**	100%	Operation of pachinko halls
Okuwa Japan (Note (iii))	Japan 3 July 1996	¥200,000,000	**100%**	100%	Operation of pachinko halls
Dynam Land & Building	Japan 31 October 2003	¥1,020,000,000	**100%**	100%	Real estate and property management
Dynam Data Processing	Japan 31 October 2003	¥10,000,000	**100%**	100%	Provision of accounting and administrative services
Dynam P Trading	Japan 1 July 2010	¥30,000,000	**100%**	100%	Trading and sourcing of pachinko machines
Dynam Advertisement	Japan 1 July 2010	¥30,000,000	**100%**	100%	Provision of advertising and marketing services
Kanto Daido (Note (iv))	Japan 22 January 1992	¥50,000,000	**100%**	100%	Trading of pachinko machines
Shinrainomori (Note (v))	Japan 3 December 2008	¥10,000,000	**100%**	100%	Franchise chain operation

42. Subsidiaries (Continued)

Particulars of the subsidiaries as at 31 March 2013 are as follows: (Continued)

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			2013	2012	
Shinrainomori Association (note (vi))	Japan 3 December 2008	–	**100%**	100%	Supporting arm of a franchise chain under Shinrainomori to undertake non-profit brand-building activities
Dynam Hong Kong	Hong Kong 7 January 2013	HK$300,000,000	**100%**	–	Investment holding

Notes:

(i) This subsidiary was acquired on 1 April 2009.

(ii) This subsidiary was acquired on 1 December 2009.

(iii) This subsidiary was acquired on 1 June 2010.

(iv) This subsidiary was acquired on 1 July 2008 and is indirectly held by the Company.

(v) Shinrainomori is indirectly held by Dynam Land & Building (2012: directly held by the Company).

(vi) 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.

43. Material Non-Cash Transactions

Additions to property, plant and equipment of ¥1 million for the year ended 31 March 2013 were financed by finance leases (2012: ¥499 million).

44. Contingent Liabilities

At 31 March 2013, the Group did not have any significant contingent liabilities (2012: Nil).

45. Capital Commitments

The Group's capital commitments at the end of the reporting period are as follows:

	2013 **¥ million**	2012 ¥ million
Contracted but not provided for	**132**	218
Approved but not contracted for	**4,345**	260
	4,477	478

46. Lease Commitments

(i) Lessee

At 31 March 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013 **¥ million**	2012 ¥ million
Within one year	**1,378**	1,550
In the second to fifth years, inclusive	**1,870**	3,166
After five years	**166**	248
	3,414	4,964

The Group leases certain land and buildings under operating leases. The leases typically run for an initial average period of 20 years (2012: 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.

(ii) Lessor

The total future minimum lease payments under non-cancellable operating leases of property, plant and equipment and investment properties are receivables as follows:

	2013 **¥ million**	2012 ¥ million
Within one year	**169**	166
In the second to fifth years, inclusive	**662**	657
After five years	**919**	1,037
	1,750	1,860

47. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group has the following transactions with its related parties during the year:

Related company	Type of transaction	2013 ¥ million	2012 ¥ million
Dynam Holdings	Accounting service income	–	20
	Dividend income	–	105
	Dividend paid	–	6,790
	Interest expense	–	81
	Interest income	–	46
	Management fee expense	–	281
	Messing and staff welfare expenses	▲	3
	Miscellaneous income	–	2
	System usage income	–	4
Trusty Power	Accounting service income	–	2
	Miscellaneous income	–	15
	Recruitment and training expenses	–	511
	System usage income	–	6
Genghis Khan Travel	Accounting service income	–	3
	Messing and staff welfare expenses	90	83
	Recruitment and training expenses	11	11
	System usage income	–	1
	Travel agency charges	5	5
Pachinko Leasing	Accounting service income	–	3
	Interest expense	–	1
	Purchase of pachinko and pachislot machines	–	76
	Sales of pachinko and pachislot machines	–	9
	System usage income	–	1
	Others	4	4
株式会社ピーインシユアランス	Accounting service income	–	3
P Insurance Co., Ltd.*	System usage income	–	1
	Messing and staff welfare expenses	5	–

47. Related Party Transactions (Continued)

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group has the following transactions with its related parties during the year: (Continued)

Related company	Type of transaction	2013 ¥ million	2012 ¥ million
Humap	Accounting service income	**-**	30
	Hall cleaning and ancillary services	**4,366**	4,254
	Messing and staff welfare expenses	**27**	3
	Miscellaneous income	**21**	26
	Rental income	**168**	165
	Repair and maintenance fee	**10**	20
	Royalty from coffee wagon license	**32**	27
	Royalty from vending machine license	**36**	26
	Staff cafeteria services	**71**	54
	Supply of general prize	**468**	518
	System usage income	**-**	33
	Utilities charges	**143**	141
Dynam Investment	Accounting service income	**-**	4
	Miscellaneous income	**▲**	1
	Rental income	**8**	8
	Rental expense	**54**	116
	System usage income	**-**	1
	Others	**10**	6
Business Partners	Office cleaning and ancillary services	**14**	9
	Rental income	**4**	5
	System usage income	**-**	1
	Training fee	**-**	30
X- Golf	Advertisement income	**-**	21
	Fees (including rental charges, property management fee and utilities)	**25**	6
	System usage income	**-**	1

Note:

Mr. Yoji Sato and Mr. Kohei Sato are interested in the above transactions to the extent that they are beneficial shareholders of Dynam Holdings.

▲ Less than ¥0.5 million.

48. Event after the Reporting Period

On 5 April 2013, Dynam Hong Kong entered into the Rich-O Korea Share Purchase Agreement with Humap, pursuant to which Humap agreed to dispose and Dynam Hong Kong agreed to acquire the entire equity interest in Rich-O Korea Co., Ltd.("Rich-O Korea") at a cash consideration of WON 106,623,000; and on 25 April 2013, Dynam Hong Kong entered into Erin Share Purchase Agreement and Beijing GEO Share Purchase Agreement with Humap, pursuant to which Humap agreed to dispose and Dynam Hong Kong agreed to acquire 87.61% and 100% of equity interests, respectively, in Erin International Co., Ltd. ("Erin International") and Beijing GEO Coffee Co., Ltd. ("Beijing GEO") (北京吉意歐咖啡有限公司) at a cash consideration of MNT 4,400,207,741 and Renminbi 8,711,000, respectively. Beijing GEO is principally engaged in roasting and sales of coffee beans, Erin International is principally engaged in the operation of international freight forwarding services, contracting services for construction works, property transactions and management services as well as development and sale of land in Mongolia and Rich-O Korea is principally engaged in trading of LCD monitors, and provision of after-sales services in respect of LCD monitors.

Details of the acquisition are set out in the Company's announcements dated 25 April 2013 and 9 May 2013 respectively.

49. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of directors on 28 May 2013.

DIFFERENCES BETWEEN FINANCIAL STATEMENTS

The consolidated financial statements which are prepared by the Group in conformity with IFRSs, differ in certain respects from JGAAP. Major differences between IFRSs and JGAAP, which affect the net assets and net profit of the Group, are summarised as follows:

	Note	**Net assets** 2013 ¥ million	2012 ¥ million
Net assets attributable to owners of the Company under JGAAP		**120,707**	88,621
Impact of IFRSs adjustments:			
Consolidation	(i)	**80**	302
Business combination	(ii)	**(64)**	(64)
Property, plant and equipment	(iii)	**8,552**	8,614
Investment property	(iv)	**(654)**	(653)
Finance lease	(v)	**(39)**	(49)
Financial instruments	(vi)	**(322)**	196
Employee benefits	(vii)	**(676)**	(909)
Deferred tax	(viii)	**(675)**	(524)
Others		**(1,082)**	(2,060)
Net assets attributable to owners of the Company under IFRSs		**125,827**	93,474

	Note	**Net profits** 2013 ¥ million	2012 ¥ million
Profit for the year attributable to owners of the Company under JGAAP		**22,049**	8,164
Impact of IFRSs adjustments:			
Consolidation	(i)	**(222)**	(16)
Business combination	(ii)	**–**	7,528
Property, plant and equipment	(iii)	**(62)**	(300)
Investment property	(iv)	**(1)**	(21)
Finance lease	(v)	**10**	237
Financial instruments	(vi)	**139**	879
Employee benefits	(vii)	**281**	(105)
Deferred tax	(viii)	**(1,362)**	295
Others		**93**	(763)
Profit for the year attributable to owners of the Company under IFRSs		**20,925**	15,898

DIFFERENCES BETWEEN FINANCIAL STATEMENTS

Notes:

(i) Consolidation — small size subsidiary

Under IFRSs, a subsidiary that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Under JGAAP, a subsidiary that is controlled by its parent is, in principle, consolidated in the parent's consolidated financial statements. There is a specific exemption which allows small size subsidiaries to be excluded from consolidation.

(ii) Business combination

(a) Merger accounting

Under IFRSs, the financial statements of the 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 There is no such kind of merger accounting under JGAAP.

(b) Goodwill

Under IFRSs, goodwill is not amortised but is subject to annual impairment test. Goodwill is reviewed for impairment at least annually at the same time each year and whenever there is an impairment indication. When the recoverable amount of the cash-generating unit ("CGU") containing goodwill (the higher of fair value less costs to sell and value in use of that CGU) is less than the carrying amount of that CGU, an impairment loss is recognised as the excess of the carrying amount over the recoverable amount. Reversal of previous impairment of goodwill is prohibited.

Under JGAAP, goodwill is not reviewed for impairment unless there is an indication of impairment. If an indication of impairment has been identified, the impairment loss is measured using a two-step approach. First, the entity should compare the sum of the undiscounted cash flows expected to be generated by the CGU and the carrying amount of the assets within that CGU. Second, if the amount of the sum of undiscounted cash flows of the CGU is less than the carrying amount of the CGU, an impairment loss should be recognised. The amount of impairment loss should be the excess of the carrying amount of the CGU over the discounted cash flows that are expected to be generated from the CGU and disposal value of CGU within that disposal group.

(iii) Property, plant and equipment — Impairment

Under IFRSs, at the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment 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 the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes: (Continued)

(iii) Property, plant and equipment — Impairment (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Under JGAAP, property, plant and equipment are not reviewed for impairment unless there is an indication of impairment. If an indication of impairment has been identified, the impairment loss is measured using a two-step approach. First, the entity should compare the sum of the undiscounted cash flows expected to be generated by an asset or asset group and the carrying amount of an asset or asset group. Second, if the amount of the sum of undiscounted cash flows of an asset or asset group is less than the carrying amount of an asset or asset group, an impairment loss should be recognised. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted future cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. The reversal of impairment loss is prohibited.

(iv) Investment property

Under IFRSs, investment properties are stated at fair value. Under JGAAP, investment properties are stated at cost and depreciated over its useful life.

(v) Finance lease

Under IFRSs, leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Under JGAAP, finance lease which the total lease payments are less than ¥3 million is allowed not to account for as finance lease.

(vi) Financial instruments

(a) Receivables and payables

Under IFRSs, receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment for receivables. Under JGAAP, receivables are initially stated at cost less impairment subsequently and payables are recognised at the amount of the debt.

(b) Derivative financial instruments

Under IFRSs, the interest rate swap contracts are initially recognised and subsequently measured at fair value at the end of the reporting period. Changes in fair value of the interest rate swap contracts are recognised in profit or loss as they arise.

Under JGAAP, the interest rate swap contracts are not recognised at fair value, but rather the swap interest is directly adjusted to increase or decrease the interest on the relevant financial assets or liabilities when certain conditions are met.

(c) Transactions cost

Under IFRSs, transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions. As a result, a partial amount of share issue expenses accounted for as a deduction from equity in the period is disclosed separately. Under JGAAP, shares issues expenses are charged in the profit or loss when it is incurred.

Notes: (Continued)

(vii) Employee benefits

(a) Defined benefit retirement plans

Under IFRSs, the calculation is performed by a qualified actuary using the projected unit credit method and the discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. Actuarial gains and losses, is recognised as other comprehensive income the full amount in the period in which they occur. Under JGAAP, in principle, the value of accrued benefit is calculated by using the straight line method and the discount rate is determined based on the interest rates of high quality government bond at the end of the reporting period. Actuarial gains and losses, in principal, are recognised as expenses and amortised over a fixed period.

(b) Staff leave

Under IFRSs, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Under JGAAP, no provision is made for the staff leave.

(viii) Deferred tax

Deferred tax should be recognised for additional/(less) temporary differences resulting from the GAAP differences described. Additional/(less) deferred tax assets and deferred tax liabilities are recognised under IFRSs.

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