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 2014

* For identification purpose only

Contents

株式会社ダイナムジャパンホールディングス (DYNAM JAPAN HOLDINGS Co., Ltd.*) (the "Company", together with its subsidiaries, the "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 Philosophy

Group Philosophy

A centurial commitment to building trust and encouraging dreams

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

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

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

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

Three Principles of Actions

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

Five Management Policies

Principle of Customers First

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

Social Contribution

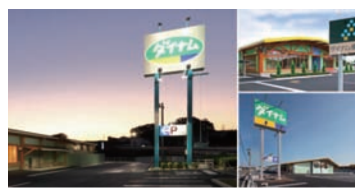
The DYNAM Group contributes to society by becoming an organization that is indispensable to local communities

Information Disclosure

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

Training of Human Resources

The DYNAM Group trains human resources and uses their collective energy



Chain Store Management

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

Top Management and Committees Members

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

Authorised Representatives

Mitsutoshi KATO
Ming Wai MOK

Chief Executive Officer

Kohei SATO

Audit Committee

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

Remuneration Committee

Katsuhide HORIBA *(Chairman)*
Mitsutoshi KATO
Yoji SATO

Nomination Committee

Katsuhide HORIBA *(Chairman)*
Mitsutoshi KATO
Yoji SATO

Corporate Information

Headquarters and Registered Office
2-25-1-702 Nishi-Nippori
Arakawa-ku
Tokyo, 116–0013
Japan

Corporate Website
www.dyjh.co.jp

Investor Relations
E-mail: dynamjapan_ir@dyjh.co.jp

Stock Code
06889

Joint Company Secretaries
Go UMEHARA
Ming Wai MOK, *FCIS FCS*

Compliance Advisor
Shenyin Wanguo Capital (H.K.) Limited

Auditor
RSM Nelson Wheeler
(Certified Public Accountants)

Principal Place of Business in Hong Kong
Unit A1, 32nd Floor, United Centre
95 Queensway, Admiralty
Hong Kong

Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Legal Advisor as to Hong Kong Law
Deacons
Li, Wong, Lam & W.I.Cheung

Principal Legal Advisor as to Japanese Law
Soga Law Office

Principal Bankers
Mizuho Bank Ltd.
Sumitomo Mitsui Banking Corporation

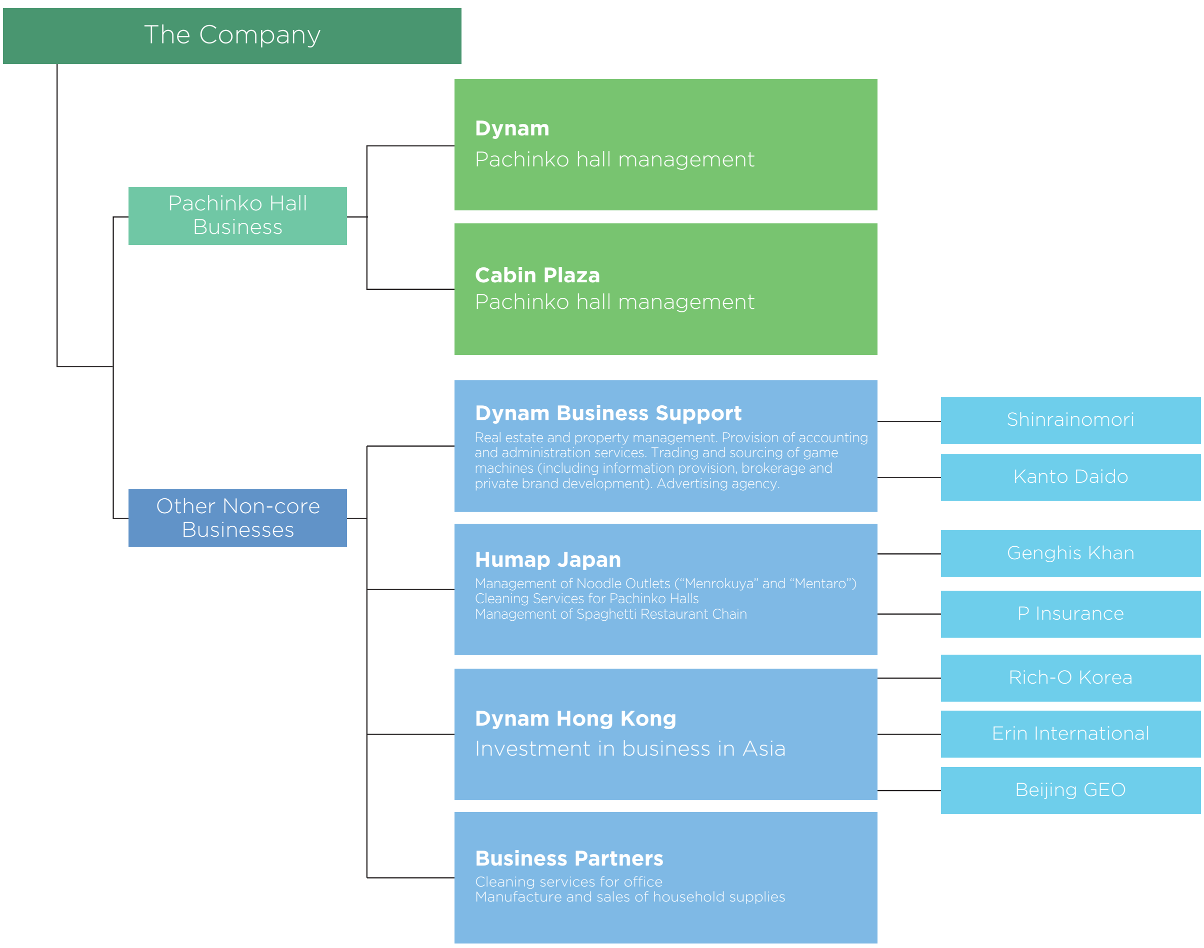
Investor and Media Relations Consultant
Strategic Financial Relations Limited

Our Group Organization

Outline of the Group

The Company is a holding company which directly controls shares of 6 subsidiaries, including Dynam who operates the largest number of pachinko halls in Japan, Cabin Plaza which is another pachinko operator, Dynam Business Support which is a service provider that supports our pachinko hall operation, Humap Japan which is another service provider mainly engaged in cleaning services for pachinko halls operated by the Group and food and beverage services for customers who visit such halls, Business Partners which was pre-conditionally incorporated to hire handicapped people for the sake of equal job opportunity, and Dynam Hong Kong which seeks new business development and investment opportunities in Asia.

As at 31 March 2014



Acquisition of subsidiaries

The Company acquired 100% of the equity interests of Rich-O Korea and Beijing GEO, and 87.61% of the equity interest of Erin International, respectively. The acquisition of Rich-O Korea and Beijing GEO were completed on 5 April 2013 and 1 May 2013, respectively. As for the acquisition of Erin International, Dynam Hong Kong entered a supplementary agreement with Humap Japan on 20 August 2013 and the effective acquisition date of Erin International was designated to be 1 May 2013. Details of the acquisitions are set out in the Company's announcements dated 25 April 2013 and 9 May 2013 respectively. Also, please refer to note 43 to the consolidated financial statements from page 153 to page 154 of this Annual Report.

Additionally, on 25 July 2013, the Company entered into the equity transfer agreements with Dynam Holdings (the "Vender"), pursuant to which the Company agreed to acquire, and the Vender agreed to dispose of, the relevant shares, being the entire issued share capital of Humap Japan and Business Partners, which are wholly-owned subsidiaries of the Vender, on the terms and subject to the conditions set out in the equity transfer agreements, at a consideration of ¥3,830 million (equivalent to approximately HK$288 million[(1)]).

Upon completion of the acquisition on 1 October 2013, Humap Japan and Business Partners became wholly-owned subsidiaries of the Company and members of the Group. Details of the acquisition are set out in the Company's announcements and circular dated 25 July 2013, 14 August 2013, and 10 September 2013. Also, please refer to note 43 to the consolidated financial statements from page 153 to 154 of this Annual Report.

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

Our History and Development

1967

- **Foundation**

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

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

1987

- **Sawa Shoji was renamed as Dynam.**
- **Expansion of our pachinko hall operation began.**

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

1989–1994

- **We began our expansion beyond the Tokyo area.**
- **Our first hall built with wooden materials opened.**

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

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

2001–2002

- **The number of our pachinko halls reached 100.**
- **We established presence in the major regions in Japan.**

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

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

Dynam's head office building

2004-2006

- **The number of our pachinko halls reached 200.**
- **Dynam Holdings acquired ownership of Dynam.**

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

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

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

2007–2010

- **The number of our pachinko halls reached 300.**
- **We expanded low playing cost halls.**
- **Hall network expanded by acquisition of 3 operators.**

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

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

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

2011

- **Dynam Japan Holdings was established.**

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

2012

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

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

2013–up to now

- **Dynam Hong Kong was established.**
- **Our business collaboration in Asia was accelerated.**
- **We progressed actions for the future casino business.**

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

Through Dynam Hong Kong, in May 2013 we invested in Mongolia's "Erin Town Project".

In June 2013, we concluded a letter of intent to underwrite the initial public offering by casino operator Macau Legend and in January 2014 we made an additional investment. Moreover, we have made an agreement with IGG who is a developer of online game software located in Singapore, for subscription of initial public offering shares in October 2013.

United Centre which houses Dynam Hong Kong

Financial Highlights

	Year ended 31 March							
	2014		2013		2012		2011	2010
	(in millions)							
	¥	**HK$**	¥	HK$	¥	HK$	¥	¥
Gross pay-ins	**922,172**	**69,388**	929,158	76,600	908,309	85,368	859,882	862,023
Less: gross payouts	**(756,418)**	**(56,916)**	(765,197)	(63,083)	(743,231)	(69,853)	(690,245)	(696,562)
Revenue	**165,754**	**12,472**	163,961	13,517	165,078	15,515	169,637	165,461
Other income	**10,799**	**813**	9,250	763	6,572	617	6,962	6,898
Hall operating expenses	**(135,891)**	**(10,225)**	(133,904)	(11,039)	(138,785)	(13,043)	(144,239)	(134,787)
General and administrative expenses	**(4,075)**	**(307)**	(3,112)	(257)	(1,754)	(164)	(934)	(642)
Other operating expenses	**(1,128)**	**(85)**	(1,906)	(157)	(874)	(81)	(813)	(1,188)
Profit from operations	**35,459**	**2,668**	34,289	2,827	30,237	2,844	30,613	35,742
Finance costs	**(781)**	**(59)**	(853)	(70)	(1,833)	(172)	(2,137)	(2,442)
Profit before tax	**34,678**	**2,609**	33,436	2,757	28,404	2,672	28,476	33,300
Income tax expense	**(13,368)**	**(1,006)**	(12,511)	(1,031)	(12,506)	(1,175)	(12,285)	(13,086)
Profit for the year	**21,310**	**1,603**	20,925	1,726	15,898	1,497	16,191	20,214
Attributable to owners of the Company	**21,328**	**1,605**	20,925	1,726	15,898	1,497	16,191	20,214
Non-controlling interests	**(18)**	**(2)**	–	–	–	–	–	–
	21,310	**1,603**	20,925	1,726	15,898	1,497	16,191	20,214
Earnings per Share attributable to ordinary equity holders of the Company								
Basic	**¥28.7**	**HK$2.2**	¥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	N/A	N/A

	At 31 March							
	2014		2013		2012		2011	2010
	(in millions)							
	¥	**HK$**	¥	HK$	¥	HK$	¥	¥
Non-current assets	**134,786**	**10,142**	117,309	9,671	119,590	11,241	132,161	133,987
Current assets	**50,946**	**3,833**	50,568	4,168	36,871	3,467	34,766	32,971
Current liabilities	**33,666**	**2,533**	30,694	2,530	33,384	3,139	45,020	55,747
Net current assets/(liabilities)	**17,280**	**1,300**	19,874	1,638	3,487	328	(10,254)	(22,776)
Total assets less current liabilities	**152,066**	**11,442**	137,183	11,309	123,077	11,569	121,907	111,211
Non-current liabilities	**9,249**	**696**	11,356	936	29,603	2,783	36,537	39,282
Total equity	**142,817**	**10,746**	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 rate described below:

1. ¥13.29 to HK$1.00, the exchange rate prevailing on 31 March 2014 (i.e. the last business day in March 2014).

2. ¥12.13 to HK$1.00, the exchange rate prevailing on 29 March 2013 (i.e. the last business day in March 2013).

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

> As an industry leader, we continue to pursue new challenges while striving to achieve sustainable growth

Yoji SATO
Chairman of the Board

Dear Shareholders,

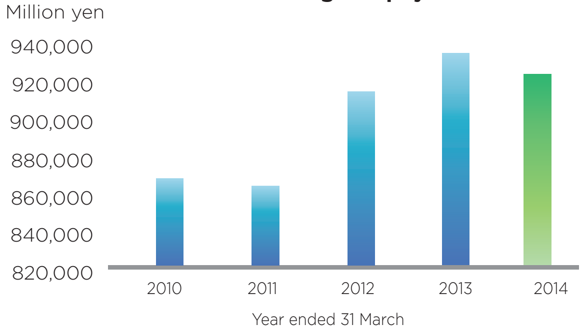
I would like to express my sincere gratitude for the continuous support of all parties in trust, including our Shareholders and investors.

The Company is a holding company which directly controls 6 subsidiaries, including Dynam and operates pachinko halls in Japan as our core business of the Group.

As of the end of March 2014, the Group was operating the industry's largest pachinko hall network, with 375 halls. It recorded gross pay-ins, an indicator of revenue, of ¥922,172 million for the fiscal year ended March 2014, the second largest in Japan.

Moreover, with the steady profitability and abundant cash and deposits, the Group remains committed to sound and prudent management independent from bank borrowing.

Trends of our gross pay-ins



Promotion of low playing cost games to increase customer traffic

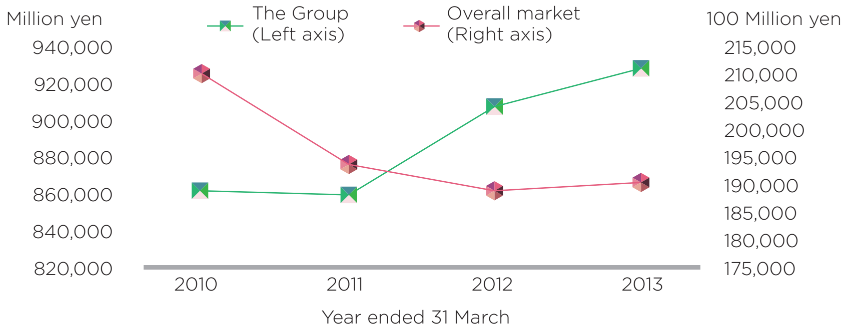
According to the Leisure White Paper 2013, a survey prepared by the Japan Productivity Center, there are approximately 11.1 million pachinko players in Japan. Given that 29 million people were playing pachinko at the peak of its popularity in 1995, the number has decreased by more than 60% over the last 20 years. Needless to say, this decline is attributable to the recent diversification of leisure pursuits. However, as indicated by the fact that 80% of people who stopped playing pachinko claimed they did so because they could no longer afford it, it is clear that the escalation of pachinko playing costs is closely linked to the decline in player population.

The Group has been concerned about this development. Consequently, the Group has a goal to "promote pachinko to make it a genuinely popular pastime, make it easier and more comfortable to reach a wider population," and has been actively expanding low playing cost halls. This is because the Group believes that offering the opportunity to enjoy low playing cost games will meet the needs of contemporary consumers.

Seven years have now passed since the Group launched its first initiative, and the number of *Yuttari Kan* halls that mainly operate low playing cost games, including machines priced at one yen per ball and five yen per token, has risen to 172 nationwide (as of 31 March 2014). Over the last several years, gross pay-ins have been declining in the overall market. However, reflecting successful initiatives that focused on halls with low-cost games, the Group has been performing steady operation results.

Yuttari Kan Hall

Comparative trends of gross pay-ins



Establishment of our low cost operation business model

Lower cost games are expected to broaden the scale of the potential market. Yet such games also mean lower sales and profits. Consequently, achieving low-cost management of halls is a significant challenge.

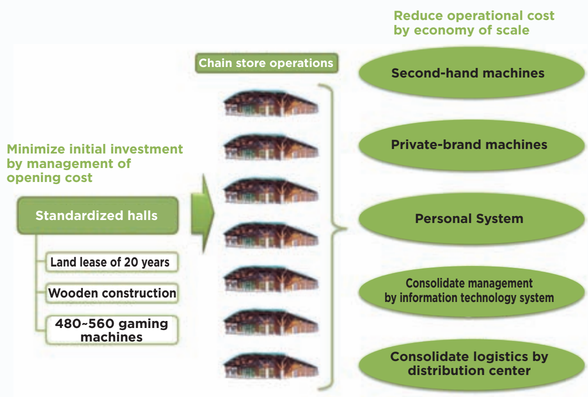
Ensuring that profits are steadily generated amid declining gross pay-ins due to the introduction of low playing cost games will require careful planning for opening new halls and sophisticated management expertise. In response, the Group has decided to standardize and streamline the design of halls and operations by adopting the chain store management structure that is widely used in the retail sector in the United States and Europe. Accordingly, the Group has taken initiatives to reduce management costs by determining the specifications of the ideal standard hall and introducing them to chain-store operations.

In principle, when opening new standardized halls, the Group constructs wooden halls on sites leased for 20 years (fixed-term leasehold contract for business).

This policy has been adopted based on consideration of the benefit of avoiding excessive investments necessary for purchasing land and constructing wooden halls, which means that depreciation of fixed assets will be nearly complete in 20 years, the time at which a leasehold contract matures. Moreover, wooden halls can be easily scrapped should changes occur in lifestyle activities at the operating site or in the market. Managing chain-store operations with halls that have standardized specifications enables the Group to avoid design expenses and reduces the cost of construction materials, minimizing the initial investment.

Regarding the management of halls, the Group has been successfully controlling hall operating expenses by cutting machine expenses with the introduction of private-brand and second-hand machines and by reducing labor costs with a Personal System in which the number of balls earned is recorded on a card.

Concept image of our low cost operations



Operational goal of 1,000 halls and 10% market share by 2023

To achieve its goal of "1,000 hall organization and 10% market share in the fiscal year ending March 2023", the Group has been working to establish a system for quickly opening halls, at a rate of more than 40 a year.

The Group held approximately 3.0% market share (in terms of the number of halls) in the pachinko hall industry as of March 2013. This figure reflects a characteristic of the industry, namely that even the total share of the top 10 companies only reaches approximately 9.0%. The Group is now aiming to solidify its position in the industry by achieving a 10% market share by the Group alone.

Since the pachinko industry is facing challenging business conditions, it is necessary for the Group to consistently open 40–50 halls a year to achieve a 10% market share and a total of 1,000 halls. The Group is united in its commitment to achieving this goal.

To fulfill this commitment, while the Group will naturally initiate a reorganization of the Group companies, it is resolved to further improve its human resources training programs since many of its employees are required to master the skills of chain store management.

Continued focus on hall operations based on sound "human resources development"

At present, the Group has more than 15,000 employees, and it plans to recruit 400 new graduates in 2015 to enable it to expand its business. Securing competent human resources is essential for the Group in its ongoing efforts to achieve the long-term targets set for the fiscal year ending March 2023.

The Group has been proactively hiring new graduates, mainly of universities, since 1989, and has recruited more than 350 new employees every year over the last 10 years. The Group has been focusing on the recruitment of new graduates because it is essential to have reasonable experience before learning the skills of managing chain stores, and the Group is only able to open more halls when it has the human resources with the requisite skills. Meanwhile, employees with professional experience of around 20 years are using their expertise in their individual positions as managers. The Group believes that this workforce structure is its strength.

The Group also plans to raise the ratio of female employees among the recruitment of new graduates to around 25%. This is because 20% of customers at its halls are female and the Group believes that, with service provided by female staff members in the halls from the perspective of female customers, it will be able to develop facilities that offer greater satisfaction. It is also believed that developing halls welcoming to female customers is important from the viewpoint of increasing our customer base. The Group has also been adopting innovative ideas in its training system, such as allocating senior female staff members as individual mentors to junior staff.

When all employees continue to steadily accomplish their duties in accordance with their own individual careers and characteristics, the Group will be able to further improve its operating results.

Expansion of Asian business with listing on the Stock Exchange

The Group continually maintains a desire as the leading company in the pachinko hall industry to contribute to improving the credibility and image of the industry. This desire resulted in the listing of its Shares on the Main Board of the Stock Exchange in Hong Kong, the first such listing in the pachinko hall industry, on 6 August 2012. The Group is convinced that its listing will impact the overall industry and contribute to improving its status.

The listing means that the Group became the first Japanese company primarily listed on the Stock Exchange and the first and currently only listed pachinko hall operator in the world. Because companies listed in Hong Kong, one of the world's three biggest financial centers, are assessed by global standards, the Group's listing means that the Group will be assessed in this way.

In January 2013, the year following the listing on the Stock Exchange, to research and invest in new businesses in the Asian region, the Group established Dynam Hong Kong, a Hong Kong subsidiary. Through this subsidiary, the Group will investigate and collect information on a range of businesses and make investments in businesses in which the Group can efficiently harness its accumulated expertise and human talent, striving to achieve business collaboration in Asia.

When the Hong Kong-Zhuhai-Macau Bridge that links Hong Kong, Macau and Zhuhai (Guangdong Province) is completed in 2016, it is believed that flows of not only people but also goods will change. The Group plans to investigate the possibility of providing pachinko and other mass-market games to new tourists in Macau, and hold discussions with related organizations.

On the investment front, the Group has made investments in Macau Legend, one of the major casino operators in Macau, and IGG, an online game software developer and manager, headquartered in Singapore.

Japan casino development — Exploring new business possibilities

Since the listing on the Stock Exchange in August 2012, and particularly since Tokyo was selected as the host city of the 2020 Summer Olympics, interest expressed in meetings in opening casinos in Japan appears to have risen. Casino operators in Las Vegas, Macau, Singapore and Malaysia have already shown an interest in the casino market in Japan.

Deliberations on the casino bill in Japan are likely to take place in the Diet around June 2014. The currently submitted bill is a basic act, and if it is enacted, legislation will be rapidly developed to enable the start of casino operations within a year. During the development of legislation, the location, development scale, conditions for operators, and other details concerning casinos in Japan will be determined.

Considering its 47-year operating history, the Group believes that casinos in Japan are well placed to be the next investment targets for the Group. Because the Group has already been able to acquire expertise in Macau, once its participation in casino operations in Japan is determined, those operations will definitely become the pillar of the Group's new business operations.

Proactive information disclosure to ensure management transparency and improve credibility

To improve the public image of pachinko hall operation, we have been disclosing information actively and ensuring transparency of our operation from before listing. Accordingly, since the fiscal year ended March 1997, the Group has been the first pachinko hall business to hold financial results presentation meetings, and has been providing its operating performance to financial institutions, analysts and the media. Moreover, the Group has acquired the first investment-grade rating for a pachinko hall operator, and received commitment lines and syndicated loans from several financial institutions. In this way, the Group has established long-term relationships of trust with major financial institutions.

Moreover, with the appointment of more than 100 staff to the legal, risk management and internal audit divisions, the Group has established a structure that enables it to eliminate risks before incidents take place, check and audit potential risk factors, limit the spread of damage from crises that occur, promptly conduct recurrence-prevention measures and take other effective initiatives.

Maintain focus on Shareholders and strive for constant, stable dividends

One reason for the Group to begin to aim at listing its Shares on the Stock Exchange is that it has always based its management on relationships of trust with stakeholders. Based on the belief that to the extent possible profits should be returned to the parties who support the Group, the Group distributes high dividends to its Shareholders with the aim of a dividend payout ratio of between 45% and 50%.

At present, the Group has achieved a financial position in which it can maintain steady dividend payments and open 40 halls a year using its own funds.

The Group is resolved to develop a solid business foundation in Japan, and at the same time it will continue to look for new opportunities and strive to develop new overseas businesses in the future. The Group also remains committed to returning profits to its Shareholders and ensuring corporate growth.

Based on our corporate philosophy, we will cultivate "trust" and "dream" and seek further company growth with all our Shareholders, our many business partners including financial institutions, employees and everyone in the local community. Your continuous understanding and cooperation on the Group's business will be highly appreciated.

Chairman
Yoji SATO

29 May 2014

Biographies of Directors and Senior Management

Executive Director

Mr. Yoji SATO (佐藤洋治) age 68
Executive Director, chairman of the Board

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

Raised in Japan, Mr. Sato joined the Group in January 1970 and since then, he has been instrumental in our business expansion and has developed the Group from a small-scale operation with two pachinko halls in Tokyo to the second largest pachinko halls operators with a chain store operation of 375 pachinko halls in 46 prefectures across Japan as at 31 March 2014. Mr. Sato has spent over four decades with the Group, during which he obtained extensive experience in the management and operation of pachinko halls, corporate governance, strategic planning and financial management. The success of the Group and his personal attributes earned him wide recognition as a leading figure and pioneer in the pachinko industry in Japan. Mr. Sato is an advisor of the Pachinko Chain Stores Association (パチンコ•チェーンストア協会). The Pachinko Chain Stores Association is one of the leading industry 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 between March 2007 and September 2011. He resigned from these positions following the incorporation of the Company. Save for being a controlling shareholder of Dynam Holdings, Mr. Sato had no on-going executive or non-executive roles in Dynam Holdings. Mr. Sato is one of our Controlling Shareholders. Together with Rich-O and the Sato Family Members. Mr. Sato is interested in approximately 60.7% of our entire issued share capital.

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

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

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

Non-executive Director

Mr. Noriaki USHIJIMA (牛島憲明) age 64
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 the Company. Mr. Ushijima was re-appointed to the same position on 20 June 2012 and 25 June 2013.

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 Tokyo.

Since March 2008, Mr. Ushijima was an outside director (*shagai torishimariyaku* 社外取締役) and a member of the audit committee of Dynam Holdings. He has resigned from these positions following the incorporation of the Company. Mr. Ushijima graduated from Chuo University in March 1973 with a bachelor's degree in economics. Mr. Ushijima has not been a director of any public company the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

Independent non-executive Directors

Our independent non-executive Directors were appointed as outside Directors (*shagai torishimariyaku* 社外取締役) on the date of the incorporation of the Company. "Outside director" has a different meaning under the Companies Act when compared with the meaning of "independent non-executive director" under the Listing Rules. The Directors have considered all of the factors under Rule 3.13 of the Listing Rules and are satisfied with the independence of our independent non-executive Directors.

Mr. Katsuhide HORIBA (堀場勝英) age 70
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 data of incorporation of the Company. He is also the chairman of our Nomination Committee and Remuneration Committee. Mr. Horiba was re-appointed to the same positions on 20 June 2012 and 25 June 2013.

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

Since October 2006, Mr. Horiba had been an outside director of Dynam Holdings (*shagai torishimariyaku* 社外取締役). In March 2007, he was also appointed as the chairman of the nomination committee and a member of the remuneration committee of Dynam Holdings. Following the incorporation of the Company, Mr. Horiba resigned from all positions he held within Dynam Holdings. Mr. Horiba graduated from Keio University in March 1968 with a bachelor's degree in commerce.

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

Mr. Ichiro TAKANO (高野一郎) age 58
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 the Company. He is also the chairman of our Audit Committee. Mr. Takano was re-appointed to the same positions on 20 June 2012 and 25 June 2013.

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 27 years' experience practicing as an attorney-at-law (*bengoshi* 弁護士) in Japan. Mr. Takano graduated from Waseda University in March 1980 with a bachelor's degree in law. He was admitted as an attorney-at-law in Japan in 1987.

Mr. Takano was appointed as an outside statutory auditor (*shagai kansayaku* 社外監査役) of Dynam Holdings in October 2006. In March 2007, Dynam Holdings underwent a restructuring in its corporate governance regime and Mr. Takano was re-designated as an outside director (*shagai torishimariyaku* 社外取締役) and a member of the audit committee of Dynam Holdings. Following the incorporation of the Company, Mr. Takano resigned from all positions he held within Dynam Holdings. Mr. Takano has not been a director of any public company the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

Mr. Takano was an outside director (*shagai torishimariyaku* 社外取締役) of Dynam Holdings between 29 March 2007 and 20 September 2011. Our Directors are of the view that this position does not affect Mr. Takano's independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by our Japan Legal Adviser, Mr. Takano, as an outside director (*shagai torishimariyaku* 社外取締役), was not allowed to carry any executive function in Dynam Holdings under the Companies Act; and (ii) Mr. 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 (吉田行雄) age 68
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 the Company. He is also a member of our Audit Committee. Mr. Yoshida was re-appointed to the same positions on 20 June 2012 and 25 June 2013.

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

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

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

Mr. Yoshida graduated from Fuji Junior College (currently known as Tokyo Fuji University Junior College) in March 1971 with associate degree in economics. Mr. Yoshida is a certified public tax accountant (*zeirishi* 税理士) recognised by Japan Federation of Certified Public Tax Accountants' Association. Mr. Yoshida has not been a director of any public company the securities of which are listed on the securities markets in Hong Kong or overseas in the latest three years.

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

Mr. Mitsutoshi KATO (加藤光利) age 56
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 Committee and Remuneration Committee. Mr. Kato was re-appointed to the same positions on 20 June 2012 and 25 June 2013.

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

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

Mr. Thomas Chun Kee YIP (葉振基) age 53
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 and 25 June 2013.

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

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

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

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

Below are the biographies of our Executive Officers:

Mr. Kohei SATO (佐藤公平) age 59
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. Haruhiko MORI (森治彦) age 61
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 the Group and is the head of our internal control committee. Mr. Mori is also a member of our management strategy meeting.

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

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

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

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

Mr. Makoto SAKAMOTO (坂本誠) age 57
Executive Officer

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

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

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

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

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

Mr. Shizuo OKAYASU (岡安静夫) age 57
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 the Group in November 2004 as a manager of the general affairs department of Dynam. Since then, he has been substantially involved in the management and operations of Dynam and other operating subsidiaries of the Group and has detailed knowledge in our business. In September 2006, he was appointed as an executive officer (*shikko yakuin* 執行役員) of Dynam and concurrently served as a general manager of its general affairs department. Subsequently, Mr. Okayasu was transferred internally to Dynam Holdings as a general manager of its corporate planning and strategy department, a position he resigned from on 20 September 2011, the date of incorporation of the Company. He served as a general manager of our corporate planning and strategy department prior to his current appointment as our Executive Officer.

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

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

Mr. Yoshiyuki MIZUTANI (水谷義之) age 57
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 33 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.

Mr. Hisao KATSUTA (勝田久男) age 62
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.

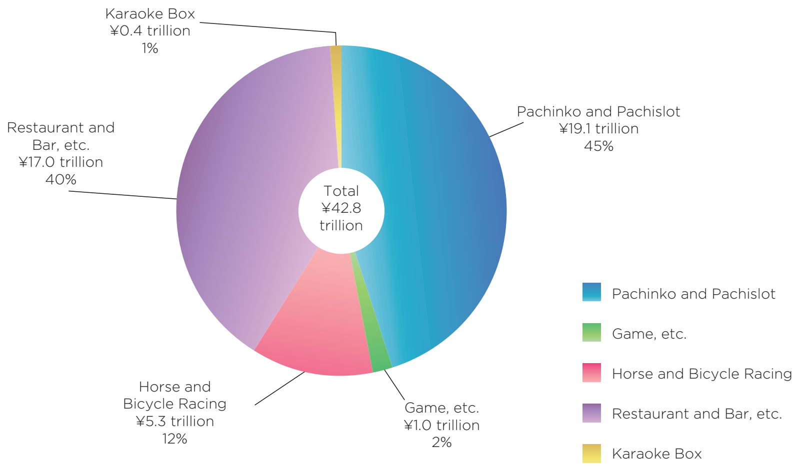
Business Overview

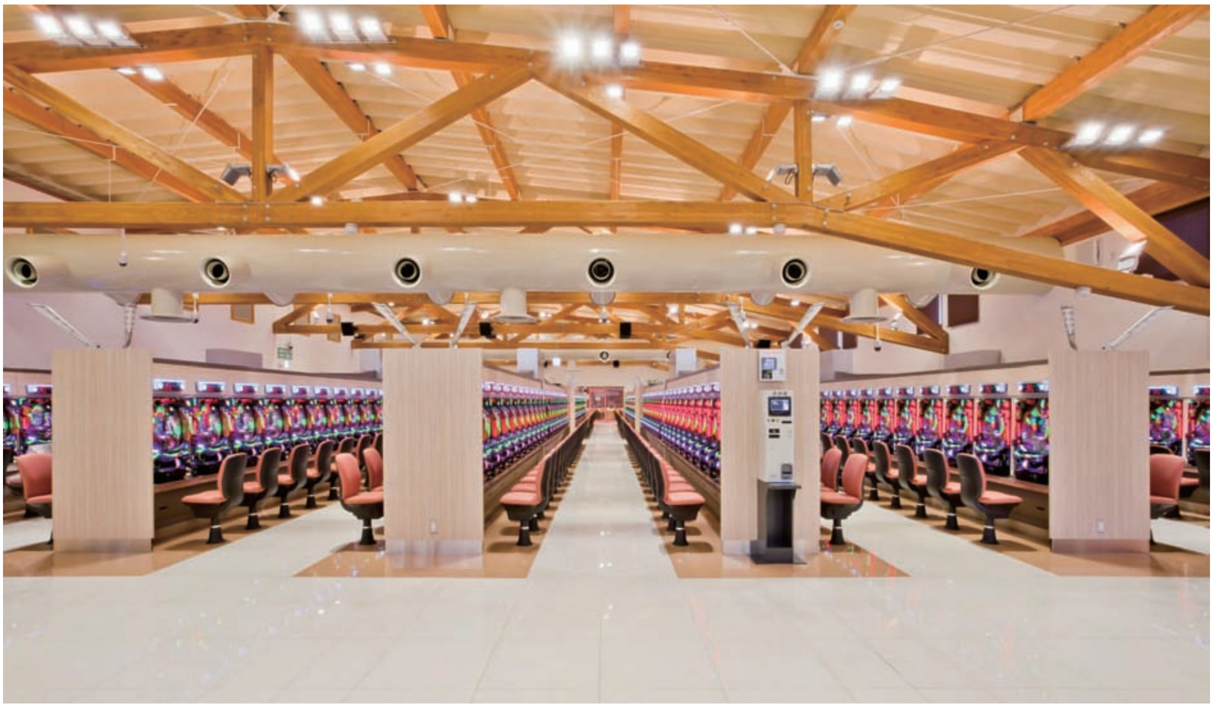
Market Trends Surrounding Our Pachinko Hall Business

The pachinko industry has come to represent a massive market.

According to the Leisure White Paper 2013 published by the Japan Productivity Center, the size of the entertainment sector of the Japanese entertainment and gaming market including the pachinko industry is equivalent to ¥42.8 trillion. Pachinko and pachislots represented 45% of the market, or the equivalent of ¥19.1 trillion.

2012 Details of Entertainment Sector





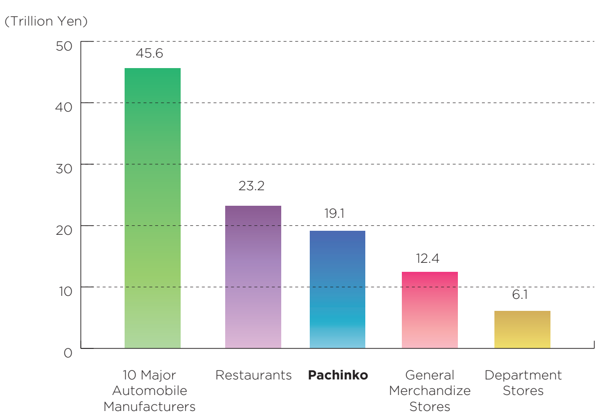
Based on research conducted by the Pachinko Trustee Board, compared with other industries the pachinko and pachislot industry is estimated at approximately 2/3 the size of the automotive industry, which is Japan's main industry, and approximately 5 times larger than the information processing industry. And with 310,000 industry employees, nearly 1.5 times the number of people employed by Japan's top 10 automotive companies, the pachinko/pachislot industry plays a major role in job creation.

(Source: "Leisure White Paper 2013" published by the Japan Productivity Center and "Challenge Book 2014" published by the Pachinko Chain Stores Association.)

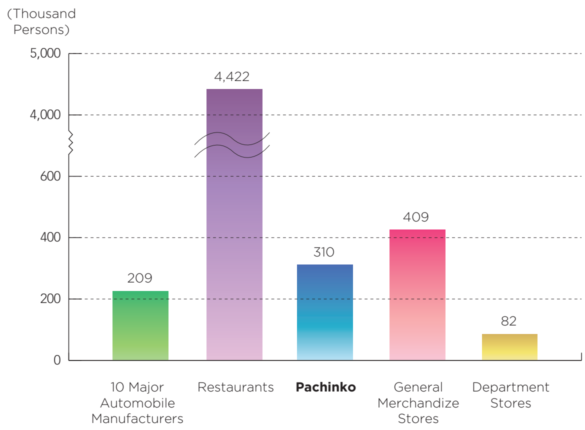
(Unit: Trillion Yen, Thousand Persons)

Industry name	Revenue	Employees
10 major automobile manufacturers*	45.6	209
Restaurants	23.2	4,422
Pachinko	19.1	310
General Merchandize Stores	12.4	409
Department stores	6.1	82

Comparison with Other Industries (Revenue)



Comparison with Other Industries (Number of Employees)



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

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

Market Shift to Lower Playing Pachinko and Pachislot Games

The pachinko industry faced escalating competition due to a growing trend toward more speculative odds for pachinko and pachislot machines. This was exasperated by aggressive hall expansions and excessive marketing mainly targeting heavy users. In recent years, lingering deflation has led to a decline in the number of customers opting for the conventional play style of ¥4 balls and ¥20 tokens. Today, we are seeing a rapid increase in low playing cost games including ¥1 balls and ¥5 tokens.

The transition toward low playing cost games promotes a move towards lower speculative odds, which will help win new customers and improve societal views on pachinko. The National Police Agency — charged with overseeing the pachinko hall industry — also is urging the use of low playing cost games among pachinko businesses as a way "constrain the speculative nature" of the industry. However, low playing cost games also result in a decline in both sales and profit. This means that the know-how related to low-cost operations is vital to success. This business style also requires that companies operating pachinko halls implement aggressive management strategies.

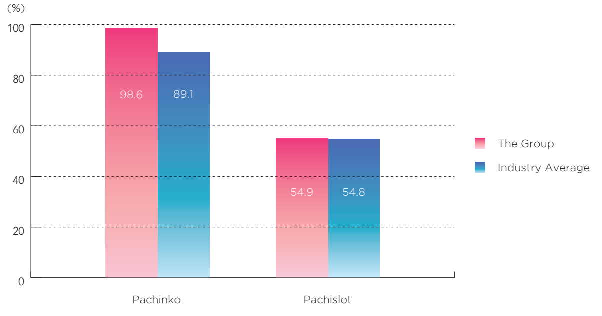
Our Hall Operation to Cope With the Market Change

Recognizing the demand for low playing cost games, the Company was one of the pioneers in developing halls specializing in low playing cost games.

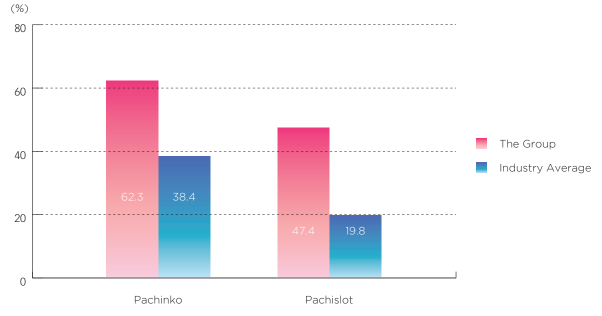
We lowered the ratio of highly speculative machines focused on high playing cost games and began hall development focused on low playing cost games. Since low playing cost machines first hit the market in 2006, the industry has seen a steady increase in the number of pachinko halls offering such low playing cost machines.

Comparisons from June 2013 indicated that the national average for the ratio of low playing cost machines was 38.4%. However, the Company maintains a high ratio of low playing cost machines at 62.3%. By the end of the fiscal year ended March 2014, this ratio increased to 65.3%. Moving forward, the Company will continue to increase this ratio.

Ratio of Halls Featuring Low Playing Cost Machines



Proportion of Low Playing Cost Machines over the Total Number of Machines



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

Currently, the Company focuses on the promotion of low playing cost games and operates three different types of halls with different playing costs. As at 31 March 2014, the Company operated 172 *Yuttari Kan* halls with low playing cost games. The number of our low playing cost halls consisting of *Yuttari Kan* halls and *Shinrai no Mori* halls was 202 halls, representing a majority or 53.9% of the total number of halls.

Hall Type			Number of Halls As at 31 March 2014	Percent of Total
High Playing Cost	*Traditional*	Feature a greater proportion of high playing cost machines and allow smoking therein	173 Halls	46.1%
Low Playing Cost	*Yuttari Kan*	Primarily feature low playing cost machines with a wider variety of general prizes and allow smoking therein	172 Halls	45.9%
	Shinrai no Mori	Feature primarily low playing cost machines 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 socialize	30 Halls	8.0%

Hall Number Transitions by Hall Type

Hall Type	As at 31 March 2014	As at 31 March 2013	Change
Traditional	173	174	–1
Yuttari Kan	172	154	+18
Shinrai no Mori	30	34	–4
Total	375	362	+13

During the fiscal year ended 31 March 2014, we have converted 1 *Traditional* hall and 4 *Shinrai no Mori* halls into *Yuttari Kan* halls respectively.

New Hall Openings and Expansion of Scale

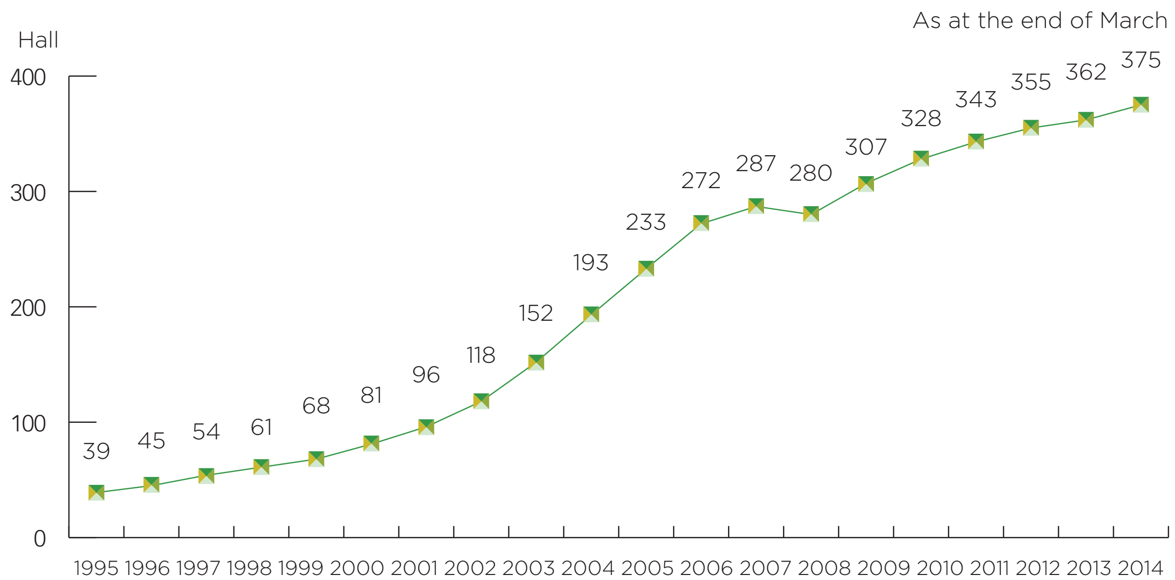
We have set a goal of having 1,000 pachinko halls by the end of March 2023 and strives for business expansion through new hall openings.

During the fiscal year ended March 2014, we opened 13 new *Yuttari Kan* halls specializing in low playing cost games. This resulted in a total of 375 pachinko halls in operation as at the end of March 2014.

The Company targets small rural commercial zones of 30,000 to 50,000 people, and not on large urban markets, for the opening of standard wood-frame construction halls able to offer 480 to 560 pachinko machines. This is one of the greatest characteristics and strengths of our pachinko hall operations.

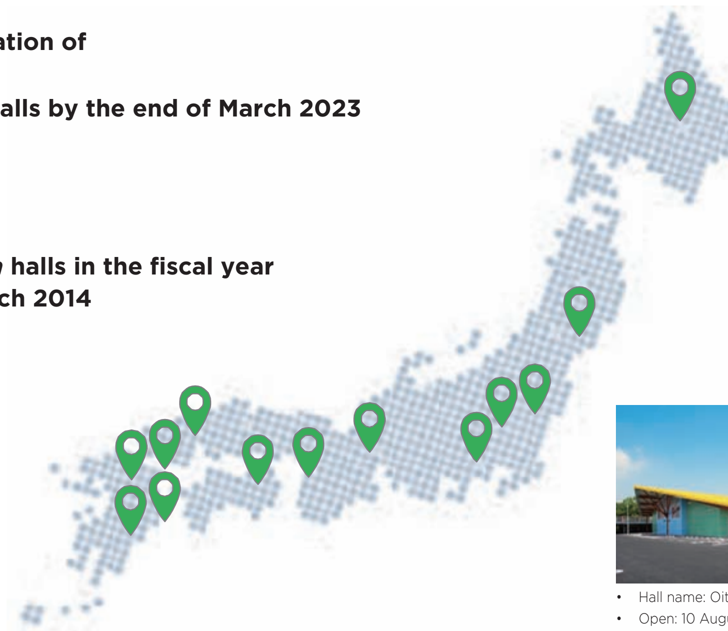
The Company is creating a national chain of standardized halls with wood-frame structures based on common design specifications to take advantage of the economics of scale achieved by opening of multiple halls. We continue our strategy of low cost operations and profit management, and aim for continuous profit growth on the long term.

Transition in the number of Halls of the Group



We aim for operation of
1,000 halls by the end of March 2023

We opened
13 ***Yuttari Kan*** **halls in the fiscal year ended March 2014**



- Hall name: Oita, Kaiwara
- Open: 10 August 2013
- Hall type: *Yuttari Kan*
- Number of machines: 480

Our New Halls
(April 2013–March 2014)

- Hall name: Ibaraki, Koga Higashi
- Open: 19 October 2013
- Hall type: *Yuttari Kan*
- Number of machines: 560

- Hall name: Gunma, Kiryu
- Open: 26 October 2013
- Hall type: *Yuttari Kan*
- Number of machines: 480

- Hall name: Gifu, Motosu
- Open: 7 December 2013
- Hall type: *Yuttari Kan*
- Number of machines: 480

- Hall name: Miyazaki, Nobeoka
- Open: 14 December 2013
- Hall type: *Yuttari Kan*
- Number of machines: 480

- Hall name: Gunma, Isezaki, Miyako
- Open: 21 December 2013
- Hall type: *Yuttari Kan*
- Number of machines: 480

- Hall name: Yamaguchi, Ube
- Open: 25 January 2014
- Hall type: *Yuttari Kan*
- Number of machines: 560

- Hall name: Saga, Kamimine
- Open: 15 February 2014
- Hall type: *Yuttari Kan*
- Number of machines: 480

- Hall name: Miyazaki, Shoei
- Open: 15 March 2014
- Hall type: *Yuttari Kan*
- Number of machines: 560

- Hall name: Kagawa, Takamatsu, Goto
- Open: 15 March 2014
- Hall type: *Yuttari Kan*
- Number of machines: 480

- Hall name: Hyogo, Kobe, Akamatsudai
- Open: 21 March 2014
- Hall type: *Yuttari Kan*
- Number of machines: 560

- Hall name: Hokkaido, Kitahiroshima
- Open: 29 March 2014
- Hall type: *Yuttari Kan*
- Number of machines: 480

- Hall name: Miyagi, Ishinomaki
- Open: 29 March 2014
- Hall type: *Yuttari Kan*
- Number of machines: 480

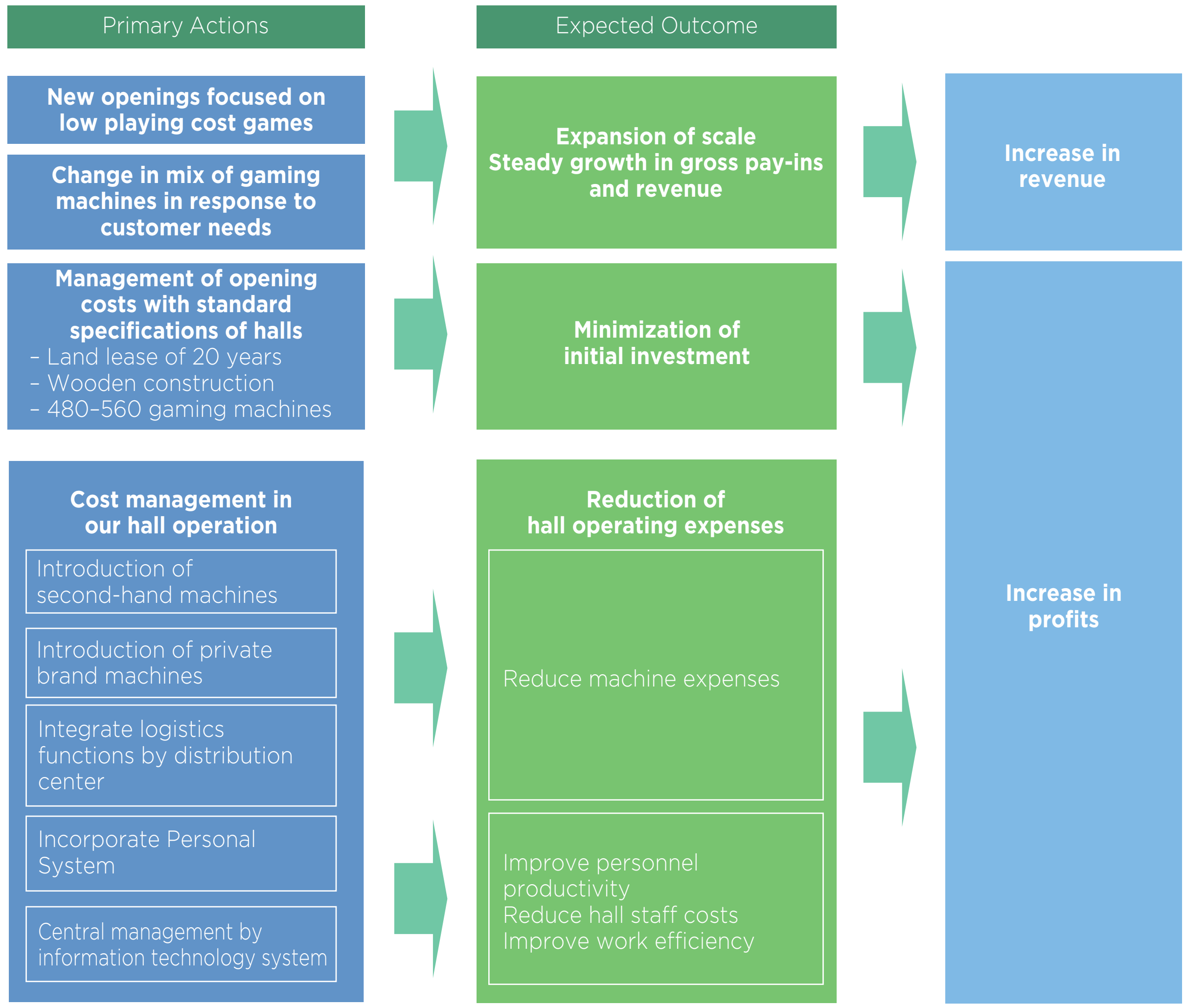
Our Low Cost Operations and Profit Improvement

Our success at recording solid operational performance while continuing to increase the ratio of low playing cost machines is the result of the Company's business framework. The opening of new low playing cost halls ensures a steady stream of gross pay-ins and revenue. Additionally, the Company manages pachinko halls based on a unique style of low cost operations. One characteristic of this management style is that the Company takes advantage of the economy of scale by adopting chain store management. This enables the Company to reduce costs in every aspect of operations.

This low cost hall management system is a business model unique to the Company and is based on the theory of chain store operations. This system enables the Company to secure high profitability even from pachinko halls primarily offering low playing cost machines.

We aim for long term profit growth through the scheme of low cost operations and profit improvement.

Framework of Our Low Cost Operations and Profit Improvement



Steady increase in gross pay-ins and revenue by offering low playing cost games

We promote amusement by providing low playing cost games. We are working to increase customer traffic and visit frequency by providing entertainment while constraining costs to the customer.

Pachinko industry is experiencing a transition towards low playing cost games, which is more pastime-oriented. Our pachinko halls currently are designed with a high percentage of low playing cost machines. Customers intend to choose low playing cost games for entertainment and recreation rather than prizes, thus we can expect relatively more profit margin than that of high playing cost games by alleviating our customers' financial burden. We are planning to increase our revenue by opening more halls with low playing cost games.

We develop framework to achieve a steady increase in gross pay-ins and revenue by increasing the number of new low playing cost halls to expand our scale of hall chains and by change in mix of playing machines in respond to customer needs in our existing halls.

Management of opening costs

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 30,000 to 50,000 people. Land acquisition for hall openings involves executing 20-year lease agreements. Lease agreements allow the Company to avoid excessive investments and ensure a hall can be scrapped relatively easily in the event of unfavorable market changes. The use of wood structures also ensures that at the end of the 20-year lease period the amortization of fixed assets will be nearly complete and fixed asset retirement losses will be minor. Furthermore, opening multiple halls using standard construction specifications reduces design expenses and allows for the efficient procurement of construction materials. This framework for dynamically controlling opening costs is a unique system developed by the Company.

Cost management in our hall operation

In the fiscal year ended March 2014, staff costs and machine expenses together represented 60.8% of all hall operating expenses. As such, changes in staff costs and machine expenses have a major impact on Company profitability.

We are dedicated to controlling staff costs and machine expenses, and works tirelessly on issues related to profit management.

Control of machine expenses by introduction of second-hand machines and private brand machines

When procuring pachinko and pachislot, we do purchase new machines but we are committed to the procurement of used and private brand machines as part of our expense management strategy.

In the fiscal year ended March 2014, second-hand machines represented 20.3% of all pachinko and pachislot machines purchased.

Private brand machines installed in our halls

We are committed to the development and utilization of private brand machines. We order private brand machines on a mass scale in order to reduce costs compared to the average market price for national brand machines. Information obtained through our membership system is utilized during talks with the manufacturer to ensure the production of pachinko and pachislot machines based on special specifications suited to customer preferences.

We began incorporating new private brand machine models in February 2014 and we plan to install a total of 2,000 machines. We aim to increase the rate of private brand machines in our pachinko halls in order to further reduce operating expenses.

Establishment of distribution centers and reduction of machine installation costs

Distribution is critical to ensuring the efficient installation of our diverse range of new, second-hand, and private brand machines in the Company's national chain of halls.

The Company has established 14 distribution centers around the country. These centers serve as hubs for parts installation and the shipment of pachinko and pachislot machines to hall locations. This distribution hub function enables the Company to reduce installation costs.

Distribution center

Reduction of hall staff costs by introduction effects of Personal System

We are progressively introducing Personal System, which records the number of pachinko balls and pachislot tokens earned onto a card, in our halls. As at the end of March 2014, the Personal System installation was completed at 217 halls. This represents system integration into 90.1% of low playing cost halls. Utilization of this Personal System eliminates the need for hall staff to stack and transport boxes of balls and tokens earned by customers during game play. This system has successfully reduced hall staff work load and work hours, and has improved staff productivity while reducing staff costs.

Central management by information technology system

The more we expand scale of our hall operation, the more important improvement of the operating effectiveness. We have developed the computer network of principal information technology system which consists of the following functions and the Company proactively improves cost efficiency through the central management by information technology system.

Hall Management System

The hall management system that manages and monitors the overall performance and machine utilisation of our hall operations.

Sales Management System

The sales management system generates performance reports and profits from our halls, which we use to share and analyse performance.

Machine Management System

The machine management system that can track the status of individual machines and manages information regarding the replacement, ordering, inspection, quality control, relevant approvals, transfer and disposal of new and second-hand machines.

Prize Management System

The prize management system manages the inventory of our general prizes and G-prizes. We are able to keep up-to-date and accurate inventories of our various prizes, consolidate orders of general prizes, and when appropriate, arrange for periodic, automatic purchases of products.

Human Resources System

The human resources management system manages the records of all the employees in the Group. This system calculates payroll, including salaries and bonuses, for our employees.

Accounting System

The accounting system manages assets including gaming machines and prizes and overall accounting for operations.

The Company has set a goal of 1,000 halls and 10% share by the end of March 2023.

Through the continued development of the aggressive low cost business model outlined above and progression of new hall openings, the Company will achieve steady, long-term profit growth.

Furthermore, the Company believes that increasing market share will contribute to our vision of "transforming pachinko into a true form of public amusement that can be enjoyed by everyone".

Business Collaborations in Asia

After being listed on the Stock Exchange in Hong Kong in 2012, the Company established Dynam Hong Kong as our Hong Kong affiliate in 2013 as part of the Company's plan to explore business collaborations in Asian markets.

Through Dynam Hong Kong, in May 2013 the Company invested US$35 million in Mongolia's Erin Town Project. In June 2013, the Company concluded a letter of intent to underwrite the equivalent of US$35 million for the initial public offering by casino operator Macau Legend and in January 2014, the Company added an additional investment of US$50 million for a total of US$85 million. In October 2013, the Company underwrote the equivalent of US$15 million for the initial public offering of IGG, a company involved in the development of online gaming software.

The Company will use Dynam Hong Kong as a platform for gathering information and researching business domains in which we can utilize our know-how and human resources toward business collaborations through stock investments.

Ulaanbaatar, Mongolia

Erin Town in construction

Initiatives Aimed at Bringing Casinos to Japan

In terms of new business opportunities in Japan, the selection of Tokyo to host the 2020 Olympics has given new feasibility to the concept of casino development in Japan.

The timing for the development of processes aimed at casino development remains unclear. However, the establishment of a basic law allowing casinos would mean that organization of legal code related to actual operation would need to progress at a rapid pace.

There are not many companies in Japan that would be able to conduct casino operations properly given the likely time constraints. However, the Company has created opportunities for the accumulation of knowledge from casinos in Macau and has built a wealth of know-how and human resources over our 47-year history. Without a doubt, the Company will seek to have a space on the first page on a new history of casino operation in Japan.

Casino institutions in Macau

Business Overview

Pachinko Game Play Summary

Pachinko and pachislot machines

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

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

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

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

Prizes

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

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

Prize display area

Financial Review

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

	For the year ended 31 March				
	2014		2013		
	(in millions, except for percentages)				
	¥	HK$[1]	¥	HK$[2]	changes
Gross pay-ins					
— *Traditional*	**668,586**	**50,307**	716,842	59,097	-6.7%
— *Yuttari Kan*	**215,827**	**16,240**	168,243	13,870	+28.3%
— *Shinrai no Mori*	**37,759**	**2,841**	44,073	3,633	-14.3%
Total gross pay-ins	**922,172**	**69,388**	929,158	76,600	-0.8%
Gross payouts					
— *Traditional*	**564,465**	**42,473**	609,535	50,250	-7.4%
— *Yuttari Kan*	**163,449**	**12,298**	122,804	10,124	+33.1%
— *Shinrai no Mori*	**28,504**	**2,145**	32,858	2,709	-13.3%
Total gross payouts	**756,418**	**56,916**	765,197	63,083	-1.1%
Revenue					
— *Traditional*	**104,121**	**7,834**	107,307	8,847	-3.0%
— *Yuttari Kan*	**52,378**	**3,942**	45,439	3,746	+15.3%
— *Shinrai no Mori*	**9,255**	**696**	11,215	924	-17.5%
Total revenue	**165,754**	**12,472**	163,961	13,517	+1.1%

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

(2) 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).

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 slightly decreased by ¥6,986 million (equivalent to approximately HK$526 million), or 0.8%, from ¥929,158 million (equivalent to approximately HK$76,600 million) for the year ended 31 March 2013 to ¥922,172 million (equivalent to approximately HK$69,388 million) for the year ended 31 March 2014. The steady performance in spite of slight decrease in gross pay-ins reflects our successful operation that placed emphasis on low playing cost halls such as the increased number of *Yuttari Kan* halls.

Traditional halls. Gross pay-ins for *Traditional* halls decreased by ¥48,256 million (equivalent to approximately HK$3,631 million), or 6.7%, from ¥716,842 million (equivalent to approximately HK$59,097 million) for the year ended 31 March 2013 to ¥668,586 million (equivalent to approximately HK$50,307 million) for the year ended 31 March 2014. The decrease was primarily due to the decrease in utilisation of our high playing cost machines reflecting the market shifting to low playing cost games, and decrease in number of halls associated with changeover of 2 *Traditional* halls to *Yuttari Kan* halls during the previous fiscal year and subsequent conversion of 1 *Traditional* hall during the year ended 31 March 2014.

Yuttari Kan halls. Gross pay-ins for *Yuttari Kan* halls increased by ¥47,584 million (equivalent to approximately HK$3,580 million), or 28.3%, from ¥168,243 million (equivalent to approximately HK$13,870 million) for the year ended 31 March 2013 to ¥215,827 million (equivalent to approximately HK$16,240 million) for the year ended 31 March 2014. The increase was due primarily to the addition of 19 new *Yuttari Kan* halls during the previous fiscal year including conversion of hall types from *Traditional* halls and *Shinrai no Mori* halls. Subsequently, following the previous fiscal year, the number of *Yuttari Kan* halls increased by 18 halls during the year ended 31 March 2014, which partly affects on the increase in gross pay-ins. The positive performance is the outcome of our successful operation that placed emphasis on low playing cost halls corresponding to the market shifting to low playing cost games and changing needs of our customers.

Shinrai no Mori halls. Gross pay-ins for *Shinrai no Mori* halls decreased by ¥6,314 million (equivalent to approximately HK$475 million), or 14.3%, from ¥44,073 million (equivalent to approximately HK$3,633 million) for the year ended 31 March 2013 to ¥37,759 million (equivalent to approximately HK$2,841 million) for the year ended 31 March 2014. The decrease was primarily due to the decrease in number of *Shinrai no Mori* halls associated with conversion of hall type to *Yuttari Kan* halls by 10 halls and 4 halls during the years ended 31 March 2013 and 2014, respectively.

Gross payouts

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

Our gross payouts decreased by ¥8,779 million (equivalent to approximately HK$661 million), or 1.1%, from ¥765,197 million (equivalent to approximately HK$63,083 million) for the year ended 31 March 2013 to ¥756,418 million (equivalent to approximately HK$56,916 million) for the year ended 31 March 2014.

Traditional halls. Gross payouts decreased by ¥45,070 million (equivalent to approximately HK$3,391 million), or 7.4%, from ¥609,535 million (equivalent to approximately HK$50,250 million) for the year ended 31 March 2013 to ¥564,465 million (equivalent to approximately HK$42,473 million) for the year ended 31 March 2014, which was in line with the decrease in gross pay-ins.

Yuttari Kan halls. Gross payouts increased by ¥40,645 million (equivalent to approximately HK$3,058 million), or 33.1%, from ¥122,804 million (equivalent to approximately HK$10,124 million) for the year ended 31 March 2013 to ¥163,449 million (equivalent to approximately HK$12,298 million) for the year ended 31 March 2014. 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 and 18 *Yuttari Kan* halls during the years ended 31 March 2013 and 2014, respectively.

Shinrai no Mori halls. Gross payouts decreased by ¥4,354 million (equivalent to approximately HK$328 million), or 13.3%, from ¥32,858 million (equivalent to approximately HK$2,709 million) for the year ended 31 March 2013 to ¥28,504 million (equivalent to approximately HK$2,145 million) for the year ended 31 March 2014. The decrease for *Shinrai no Mori* halls was due primarily to the decrease in gross pay-ins.

Revenue and Revenue margin

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

Our revenue was ¥163,961 million (equivalent to approximately HK$13,517 million) and ¥165,754 million (equivalent to approximately HK$12,472 million) for the years ended 31 March 2013 and 2014 respectively, which shows steady performance of our hall operation increasing our revenue by ¥1,793 million (equivalent to approximately HK$135 million) , or 1.1% compared with the previous fiscal year.

Traditional halls. Revenue for *Traditional* halls decreased by ¥3,186 million (equivalent to approximately HK$240 million), or 3.0%, from ¥107,307 million (equivalent to approximately HK$8,847 million) for the year ended 31 March 2013 to ¥104,121 million (equivalent to approximately HK$7,834 million) for the year ended 31 March 2014. The decrease was primarily due to a decrease in gross pay-ins. The revenue margins for the years ended 31 March 2013 and 2014 were 15.0% and 15.6% respectively, which maintained equivalent revenue margin reflecting stable performance in line with the decrease in gross pay-ins offset by decrease in gross payouts.

Yuttari Kan halls. Revenue for *Yuttari Kan* halls increased by ¥6,939 million (equivalent to approximately HK$522 million), or 15.3%, from ¥45,439 million (equivalent to approximately HK$3,746 million) for the year ended 31 March 2013 to ¥52,378 million (equivalent to approximately HK$3,942 million) for the year ended 31 March 2014. 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 27.0% to 24.3%.

Shinrai no Mori halls. Revenue for *Shinrai no Mori* halls decreased by ¥1,960 million (equivalent to approximately HK$147 million), or 17.5%, from ¥11,215 million (equivalent to approximately HK$924 million) for the year ended 31 March 2013 to ¥9,255 million (equivalent to approximately HK$696 million) for the year ended 31 March 2014. The decrease was primarily due to a decrease in gross pay-ins partly offset by decrease in gross payouts over the year. The lower of G-prize mark-ups adopted in our *Shinrai no Mori* halls led to a decrease in the revenue margin from 25.4% to 24.5%.

Other income

Other income primarily comprises commission income from vending machines and in-store sales, fair value gain on financial assets, and net foreign exchange gain. Other income increased by ¥1,549 million (equivalent to approximately HK$117 million), or 16.7%, from ¥9,250 million (equivalent to approximately HK$763 million) for the year ended 31 March 2013 to ¥10,799 million (equivalent to approximately HK$813 million) for the year ended 31 March 2014 due primarily to the fair value gain on financial assets reflecting the increase in market value of the IGG shares and gain on bargain purchases in relation to the acquisition of Humap Japan partially offset by decrease in net foreign exchange gain.

Financial Review

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															
	2014								2013							
	Traditional		Yuttari Kan		Shinrai no Mori		Total		Traditional		Yuttari Kan		Shinrai no Mori		Total	
	(in millions, except for percentages)															
	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%
Hall staff costs	26,449	33.9%	15,239	31.2%	2,839	31.7%	44,527	32.8%	28,738	35.3%	13,415	32.8%	3,602	31.1%	45,755	34.2%
Machine expenses	23,807	30.5%	12,310	25.2%	1,990	22.2%	38,107	28.0%	22,932	28.1%	8,649	21.1%	2,285	19.7%	33,866	25.2%
Depreciation charges	4,859	6.2%	4,143	8.5%	1,114	12.4%	10,116	7.4%	5,051	6.2%	3,633	8.9%	1,796	15.5%	10,480	7.8%
Rental	4,982	6.4%	4,734	9.7%	743	8.3%	10,459	7.7%	5,226	6.4%	4,096	10.0%	946	8.2%	10,268	7.7%
Advertising expenses	2,886	3.7%	1,541	3.2%	259	2.9%	4,686	3.5%	3,581	4.4%	1,207	3.0%	330	2.8%	5,118	3.8%
Utilities expenses	2,763	3.6%	2,243	4.6%	423	4.7%	5,429	4.0%	2,608	3.2%	1,793	4.4%	496	4.3%	4,897	3.7%
G-prize expenses	2,607	3.3%	2,225	4.5%	470	5.3%	5,302	3.9%	2,707	3.3%	1,993	4.9%	614	5.3%	5,314	4.0%
Cleaning and ancillary services	2,124	2.7%	1,440	2.9%	364	4.1%	3,928	2.9%	2,485	3.1%	1,550	3.8%	372	3.2%	4,407	3.3%
Repair and maintenance	1,511	1.9%	989	2.0%	147	1.6%	2,647	1.9%	2,137	2.6%	1,330	3.3%	191	1.6%	3,658	2.7%
Others	6,071	7.8%	4,008	8.2%	611	6.8%	10,690	7.9%	6,004	7.4%	3,180	7.8%	957	8.3%	10,141	7.6%
Total	78,059	100.0%	48,872	100.0%	8,960	100.0%	135,891	100.0%	81,469	100.0%	40,846	100.0%	11,589	100.0%	133,904	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															
	2014								2013							
	Traditional		Yuttari Kan		Shinrai no Mori		Total		Traditional		Yuttari Kan		Shinrai no Mori		Total	
	(in millions, except for percentages)															
	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%
Hall staff costs	152.9	33.9%	88.6	31.2%	94.6	31.7%	118.7	32.8%	165.2	35.3%	87.1	32.8%	105.9	31.1%	126.4	34.2%
Machine expenses	137.6	30.5%	71.6	25.2%	66.3	22.2%	101.6	28.0%	131.8	28.1%	56.2	21.1%	67.3	19.7%	93.5	25.2%
Depreciation charges	28.1	6.2%	24.1	8.5%	37.1	12.4%	27.0	7.4%	29.0	6.2%	23.6	8.9%	52.8	15.5%	29.0	7.8%
Rental	28.8	6.4%	27.5	9.7%	24.8	8.3%	27.9	7.7%	30.0	6.4%	26.6	10.0%	27.8	8.2%	28.4	7.7%
Advertising expenses	16.7	3.7%	9.0	3.2%	8.6	2.9%	12.5	3.5%	20.6	4.4%	7.8	3.0%	9.7	2.8%	14.1	3.8%
Utilities expenses	16.0	3.6%	13.0	4.6%	14.1	4.7%	14.5	4.0%	15.0	3.2%	11.6	4.4%	14.6	4.3%	13.5	3.7%
G-prize expenses	15.1	3.3%	12.9	4.5%	15.7	5.3%	14.1	3.9%	15.6	3.3%	12.9	4.9%	18.1	5.3%	14.7	4.0%
Cleaning and ancillary services	12.3	2.7%	8.4	2.9%	12.1	4.1%	10.5	2.9%	14.3	3.1%	10.1	3.8%	11.0	3.2%	12.2	3.3%
Repair and maintenance	8.7	1.9%	5.8	2.0%	4.9	1.6%	7.1	1.9%	12.3	2.6%	8.6	3.3%	5.6	1.6%	10.1	2.7%
Others	35.1	7.8%	23.3	8.2%	20.4	6.8%	28.5	7.9%	34.4	7.4%	20.7	7.8%	28.1	8.3%	28.0	7.6%
Total	451.3	100.00%	284.2	100.00%	298.6	100.00%	362.4	100.00%	468.2	100.0%	265.2	100.0%	340.9	100.0%	369.9	100.0%

Hall operating expenses increased by ¥1,987 million (equivalent to approximately HK$150 million), or 1.5%, from ¥133,904 million (equivalent to approximately HK$11,039 million) for the year ended 31 March 2013 to ¥135,891 million (equivalent to approximately HK$10,225 million) for the year ended 31 March 2014, primarily attributable to an increase in pachinko and pachislot machine expenses partially offset by decrease in hall staff costs by 2.7% due to introduction of the Personal System and improvement of personnel productivity. We introduced new machines mainly into the *Yuttari Kan* halls with a focus on low playing cost games to improve customer gathering power aggressively over the year in contrast with restrained machine procurement during the previous fiscal year due to the modest release of new popular model of machines by pachinko machine makers. Also, the total number of halls increased by 13 halls compared with the end of the previous fiscal year, which also affects on the increase of the total machine expenses.

Traditional halls. Hall operating expenses decreased by ¥3,410 million (equivalent to approximately HK$257 million), or 4.2%, from ¥81,469 million (equivalent to approximately HK$6,716 million) for the year ended 31 March 2013 to ¥78,059 million (equivalent to approximately HK$5,874 million) for the year ended 31 March 2014, primarily due to the decrease in average staff costs and advertising expenses per hall by 7.4% and 18.9% respectively.

Yuttari Kan halls. Hall operating expenses increased by ¥8,026 million (equivalent to approximately HK$604 million), or 19.6%, from ¥40,846 million (equivalent to approximately HK$3,367 million) for the year ended 31 March 2013 to ¥48,872 million (equivalent to approximately HK$3,677 million) for the year ended 31 March 2014, primarily due to the addition of new *Yuttari Kan* halls by 19 halls and 18 halls during the years ended 31 March 2013 and 2014, respectively, including changeover of hall types from *Traditional* halls and *Shinrai no Mori* halls as well as aggressive procurement of new machines leading to the increase in pachinko and pachislot machine expenses. On a per hall basis, average hall operating expenses increased by 7.2%, from ¥265 million (equivalent to approximately HK$22 million) for the year ended 31 March 2013 to ¥284 million (equivalent to approximately HK$21 million) for the year ended 31 March 2014. The increase in average hall operating expenses also reflects the increase in pachinko and pachislot machine expenses on a per hall basis.

Shinrai no Mori halls. Hall operating expenses decreased by ¥2,629 million (equivalent to approximately HK$198 million), or 22.7%, from ¥11,589 million (equivalent to approximately HK$955 million) for the year ended 31 March 2013 to ¥8,960 million (equivalent to approximately HK$674 million) for the year ended 31 March 2014, primarily due to the decrease of 10 *Shinrai no Mori* halls and 4 *Shinrai no Mori* halls associated with conversion of hall type to *Yuttari Kan* halls during the years ended 31 March 2013 and 2014, respectively. On a per hall basis, average hall operating expenses decreased by 12.3%, from ¥341 million (equivalent to approximately HK$28 million) for the year ended 31 March 2013 to ¥299 million (equivalent to approximately HK$22 million) for the year ended 31 March 2014. The decrease 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 ¥963 million (equivalent to approximately HK$72 million), or 30.9%, from ¥3,112 million (equivalent to approximately HK$257 million) for the year ended 31 March 2013 to ¥4,075 million (equivalent to approximately HK$307 million) for the year ended 31 March 2014. The increase was primarily due to the increased number of employees as a result of the acquisition of Humap Japan.

Other operating expenses

Other operating expenses decreased by ¥778 million (equivalent to approximately HK$59 million), or 40.8%, from ¥1,906 million (equivalent to approximately HK$157 million) for the year ended 31 March 2013 to ¥1,128 million (equivalent to approximately HK$85 million) for the year ended 31 March 2014. The decrease was primarily attributable to the impairment loss on property, plant and equipment recognized in the previous fiscal year.

Finance costs

Finance costs decreased by ¥72 million (equivalent to approximately HK$5 million), or 8.4%, from ¥853 million (equivalent to approximately HK$70 million) for the year ended 31 March 2013 to ¥781 million (equivalent to approximately HK$59 million) for the year ended 31 March 2014. The decrease was primarily attributable to the decrease in interest on bank loans and syndicated loans.

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			
	2014		2013	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Net cash generated from operating activities	**27,455**	**2,066**	28,330	2,336
Net cash used in investing activities	**(22,470)**	**(1,690)**	(10,899)	(899)
Net cash used in financing activities	**(13,102)**	**(986)**	(8,028)	(662)
Effect of exchange rate changes on cash and cash equivalents	**1,481**	**111**	3,539	292
Net (decrease)/increase in cash and cash equivalents	**(6,636)**	**(499)**	12,942	1,067
Cash and cash equivalents at the beginning of year	**41,466**	**3,120**	28,524	2,352
Cash and cash equivalents at the end of year	**34,830**	**2,621**	41,466	3,419

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			
	2014		2013	
	(in millions)			
	¥	**HK$[1]**	¥	HK$[2]
Operating profit before working capital changes	**42,813**	**3,221**	43,928	3,621
Change in working capital — (used in)	**(3,138)**	**(236)**	(2,269)	(187)
Cash generated from operations	**39,675**	**2,985**	41,659	3,434
Income taxes paid	**(11,225)**	**(844)**	(11,988)	(988)
Finance costs paid	**(995)**	**(75)**	(1,341)	(110)
Net cash generated from operating activities	**27,455**	**2,066**	28,330	2,336

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

(2) 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).

Our net cash generated from operating activities was ¥27,455 million (equivalent to approximately HK$2,066 million) for the year ended 31 March 2014 as compared to ¥28,330 million (equivalent to approximately HK$2,336 million) for the year ended 31 March 2013. The slight decrease in our net cash generated from operating activities was mainly due to the decrease of ¥1,115 million (equivalent to approximately HK$84million) in operating profit before working capital changes and a decrease in working capital of ¥869 million (equivalent to approximately HK$65 million). We used ¥3,138 million (equivalent to approximately HK$236 million) in working capital during the year ended 31 March 2014, which mainly reflected an increase of ¥2,648 million (equivalent to approximately HK$199 million) in inventories and an increase of ¥1,993 million (equivalent to approximately HK$150 million) in accruals and other payables.

Net cash used in investing activities

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

Net cash used in investing activities was ¥10,899 million (equivalent to approximately HK$899 million) and ¥22,470 million (equivalent to approximately HK$1,690 million) for the years ended 31 March 2013 and 2014, respectively. The cash outflow for the year ended 31 March 2014 was primarily due to the purchase of property, plant, and equipment amounted to ¥9,292 million (equivalent to approximately HK$699 million) and the purchase of available-for-sale financial assets amounted to ¥8,873 million (equivalent to approximately HK$668 million)as compared with ¥10,723 million (equivalent to approximately HK$884 million) for the year ended 31 March 2013.

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 2014, net cash used in financing activities was ¥13,102 million (equivalent to approximately HK$986 million) compared to net cash generated from financing activities of ¥8,028 million (equivalent to approximately HK$662 million) for the year ended 31 March 2013. The cash outflow for the year ended 31 March 2014 was primarily due to the dividend payment in the amount of ¥10,586 million (equivalent to approximately HK$797 million) and repayment of bank loans and finance leases in the amount of ¥2,516 million (equivalent to approximately HK$189 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 2014		31 March 2013	
	(in millions)			
	¥	HK$(1)	¥	HK$(2)
Current assets				
Inventories	6,125	461	3,375	278
Trade receivables	563	42	359	30
Held-to-maturity investment	–	–	10	1
Financial assets at fair value through profit or loss	3,875	291	–	–
Finance lease receivables	395	30	–	–
Prepayments and other receivables	5,142	387	5,337	440
Amounts due from related companies	10	1	21	2
Pledged bank deposits	6	Δ	–	–
Bank and cash balances	34,830	2,621	41,466	3,418
	50,946	3,833	50,568	4,169
Current liabilities				
Trade payables	1,722	130	905	75
Accruals and other payables	19,160	1,442	19,376	1,597
Derivative financial instruments	47	3	57	5
Amounts due to related companies	–	–	452	37
Borrowings	1,265	95	1,258	104
Finance lease payables	869	65	1,223	101
Provisions	1,619	122	1,438	119
Current tax liabilities	8,984	676	5,985	493
	33,666	2,533	30,694	2,531
Net current assets	17,280	1,300	19,874	1,638

Δ Less than HK$0.5 million.

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

(2) 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).

As at 31 March 2013 and 31 March 2014, our net current assets totalled ¥19,874 million (equivalent to approximately HK$1,638 million) and ¥17,280 million (equivalent to approximately HK$1,300 million), respectively, and our current ratio was 1.6 and 1.5, 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 and short-term bank borrowings. The gearing ratio decreased from 3.3% as at 31 March 2013 to 2.3% as at 31 March 2014, 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 years ended 31 March 2013 and 2014 were ¥10,841 million (equivalent to approximately HK$894 million) and ¥9,476 million (equivalent to approximately HK$713 million), respectively. Our capital expenditures were primarily related to the improvements of facilities in our halls to enhance our competitiveness in attracting customers and the construction of new halls.

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

	For the year ended 31 March			
	2014		2013	
	(in millions)			
	¥	HK$[(1)]	¥	HK$[(2)]
Freehold land	4	Δ	71	6
Buildings including leasehold improvements	4,008	302	4,388	362
Tools and equipment	4,934	371	6,125	505
Motor vehicles	79	6	1	Δ
Construction in progress	451	34	256	21
	9,476	713	10,841	894

Δ Less than HK$0.5 million.

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

(2) 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).

Inventories

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

	31 March 2014		31 March 2013	
	(in millions)			
	¥	HK$[1]	¥	HK$[2]
Operation of pachinko halls				
G-prize	3,070	231	2,154	178
General prize	1,253	94	891	73
Supplies	850	64	330	27
	5,173	389	3,375	278
Property development				
Properties held for future development and under development for sale	821	62	–	–
Catering and cleaning services				
Supplies	85	6	–	–
Others	46	4	–	–
	6,125	461	3,375	278

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

(2) 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).

Our total inventories increased from ¥3,375 million (equivalent to approximately HK$278 million) as at 31 March 2013 to ¥6,125 million (equivalent to approximately HK$461 million) as at 31 March 2014. The increase was primarily attributable to increase in G-prize of ¥916 million (equivalent to approximately HK$69 million), general prize of ¥362 million (equivalent to approximately HK$27 million), supplies related to our pachinko hall operation of ¥520 million (equivalent to approximately HK$39 million), and properties held for future development and under development for sale of ¥821 million (equivalent to approximately HK$62 million).

Pledge of Assets

As at 31 March 2014, certain property, plant, and equipment and bank deposits were pledged as securities for the bank borrowings of ¥4,324 million (equivalent to approximately HK$325 million) and for the construction project at Mongolia. For the relevant information, please refer to the "Loan facilities" on page 55 of this Annual Report.

Contingent Liabilities

As at 31 March 2014, we had no material contingent liabilities.

Capital and Other Commitments

The details to capital commitments are provided in note 47 to the consolidated financial statements on page 157 of this Annual Report.

Acquisition and Disposal

On 5 April 2013, Dynam Hong Kong entered into the Rich-O Korea Share Purchase Agreement with Humap Japan, pursuant to which Humap Japan agreed to dispose and Dynam Hong Kong agreed to acquire the entire equity interest in Rich-O Korea at a cash consideration of WON106,623,000; and on 25 April 2013, Dynam Hong Kong entered into Erin Share Purchase Agreement and Beijing GEO Share Purchase Agreement with Humap Japan, pursuant to which Humap Japan agreed to dispose and Dynam Hong Kong agreed to acquire 87.61% and 100% of equity interests, respectively, in Erin International and Beijing GEO 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.

Additionally, on 25 July 2013, the Company entered into the equity transfer agreements with Dynam Holdings (the "Vender"), pursuant to which the Company agreed to acquire, and the Vender agreed to dispose of, the relevant shares, being the entire issued share capital of Humap Japan and Business Partners, which are wholly-owned subsidiaries of the Vender, on the terms and subject to the conditions set out in the equity transfer agreements, at a consideration of ¥3,830 million.

The details to acquisitions are provided in Note 43 to the consolidated financial statements on page 153 to page 154 of this Annual Report.

Significant Investments

Dynam Hong Kong on 6 June 2013 entered into a cornerstone investment agreement with, among others, Macau Legend, pursuant to which Dynam Hong Kong agreed to subscribe for certain number of shares in Macau Legend the aggregate value of which would be equivalent to US$35 million (equivalent to HK$272 million). Macau Legend became public on 5 July 2013. In January 2014, the Company added an additional investment of US$50 million for a total of US$85 million.

Details of the investment agreement and business cooperation with Macau Legend are set out in the Company's announcements dated 17 June 2013, 23 August 2013, and 17 January 2014, respectively.

On 30 September 2013, Dynam Hong Kong entered into a cornerstone investment agreement with, among others, IGG, pursuant to which Dynam Hong Kong agreed to subscribe for certain number of shares in IGG the aggregate value of which would be equivalent to US$15 million. IGG is a company incorporated in the Cayman Islands and engages in the development of online game software, and the operation of online games. IGG became public on 18 October 2013.

As for the details of the investment agreement with IGG, please refer to the Company's announcement dated 8 October 2013 and 11 October 2013.

Employees

As at 31 March 2014, we had approximately 15,900 employees (31 March 2013: 9,506). 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 2014 was ¥49,436 million (equivalent to approximately HK$3,720 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 2014		31 March 2013	
		(in millions)		
	¥	**HK$[1]**	¥	HK$[2]
Borrowings:				
Bank loans	**2,222**	**167**	2,796	230
Syndicated loans	**2,102**	**158**	2,787	230
	4,324	**325**	5,583	460
Represented by:				
Secured	**4,324**	**325**	5,583	460
Unsecured	**–**	**–**	–	–
	4,324	**325**	5,583	460
The borrowings are repayable as follows:				
On demand or within one year	**1,265**	**95**	1,258	104
In the second year	**1,001**	**75**	1,265	104
In the third to fifth years, inclusive	**1,608**	**121**	2,310	190
After five years	**450**	**34**	750	62
	4,324	**325**	5,583	460
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,265)**	**(95)**	(1,258)	(104)
Amount due for settlement after 12 months	**3,059**	**230**	4,325	356

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

	31 March 2014		31 March 2013	
	(in millions)			
	¥	HK$[(1)]	¥	HK$[(2)]
Finance lease payables:				
Present value of lease obligations	**1,201**	**90**	2,343	193
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(332)**	**(25)**	(1,223)	(101)
Amount due for settlement after 12 months	**869**	**65**	1,120	92

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

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 consisted of two loans, and the commitment of the lenders to provide loans under the Revolving Loan Facility was 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.

On 31 March 2014, upon expiration of the commitment line agreement dated 31 March 2011, Dynam entered into a new loan agreement with a syndicate of lenders that rearrange a revolving loan facility in an amount of up to ¥15,000 million. The new revolving loan facility consists of two loans, and the commitment of the lenders to provide loans under the new revolving loan facility is available for a three-year period from the execution date of the original loan agreement. Borrowings under the new revolving loan facility bear interest at the rate of 0.475% per annum over the interest rate for the corresponding loan term published by the Japanese Bankers Association for euroyen TIBOR, subject to adjustment from time to time. As a result of the above rearrangement of a revolving loan facility, the interest rate of the new revolving loan facility was reduced in comparison with the last Revolving Loan Facility reflecting our sound financial status and increase of international recognition.

As at 31 March 2014, total amount of the Revolving Loan Facility remained available to be drawn down.

All carrying amount of the borrowings at 31 March 2014 is arranged at floating interest rate and expose the Group to cash flow interest rate risk.

As at 31 March 2014, we had total bank borrowings of approximately ¥4,324 million (equivalent to approximately HK$325 million) and were secured by our property, plant and equipment. We also had total finance lease payables of approximately ¥1,201 million (equivalent to approximately HK$90 million), of which approximately ¥332 million (equivalent to approximately HK$25 million) was to be repaid within one year.

At the close of business on 31 March 2014, we had a total amount of approximately ¥30,000 million (equivalent to approximately HK$2,257 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, pledged bank deposits, investments, trade receivables such as commission income from vending machines, and other receivables and amounts due from related companies included in our consolidated 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 pledged bank deposits are 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 varied with the then prevailing market condition. We have used interest rate swaps in order to mitigate our exposure associated with fluctuations in interest rates.

Price risk

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

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 March 2014 (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 13 new halls with low playing cost machines and converted existing 1 hall which focused on ¥4 pachinko to specialized hall "*Yuttari Kan*" with low playing cost machines. Consequently, there are now 202 specialized halls with low playing cost machines, making up over half of the Group's 375 halls.

Results and Appropriations

The results of the Group for the year ended 31 March 2014 are set out in the Financial Statements from page 80 to page 160 of this Annual Report.

Declaration of Final Dividend

The Board proposed to declare a final dividend of ¥7 per ordinary Share for the year ended 31 March 2014 on 29 May 2014, the final dividend will be payable on 27 June 2014 to the Shareholders whose names appear on the Company's share register at close of business on 5 June 2014. Based on the 742,850,360 Shares in issue as at 31 March 2014, it is expected that the final dividend payable will amount to approximately ¥5,200 million (equivalent to approximately HK$391 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 the Shareholders in the currency other than Japanese yen is based on the average currency rates prevailing five trading days immediately prior to 29 May 2014 (being 22 to 23 May 2014 and 26 to 28 May 2014).

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 17 and Business Overview from page 34 to page 35 of this Annual Report.

Financial Highlights

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

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the Financial Statements from page 129 to page 130 of this Annual Report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in note 34 to the Financial Statements on page 141 of this Annual Report. As at 31 March 2014, the Group's total current interest-bearing loans amounted to ¥1,265 million (2013: ¥1,258 million) and the total non-current interest-bearing loans amounted to ¥3,059 million (2013: ¥4,325 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 2014 are set out in note 40 to the Financial Statements on page 149 of this Annual Report.

Reserves

Details of movements in the reserves of the Company for the year ended 31 March 2014 are set out in the note 42 to the Financial Statements from page 151 to page 152 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 2014, the Company had reserves available for distribution to its Shareholders of ¥62,382 million (2013: ¥62,137 million).

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from 1 April 2013 to 31 March 2014.

Public Float

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

As of the date of this Annual Report, based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Stock Exchange during the period from 1 April 2013 to 31 March 2014.

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 2014 and up to the date of this Annual Report are as follows:

Executive Director

Yoji SATO	re-appointed on 25 June 2013

Non-executive Director

Noriaki USHIJIMA	re-appointed on 25 June 2013

Independent Non-executive Directors

Katsuhide HORIBA	re-appointed on 25 June 2013
Ichiro TAKANO	re-appointed on 25 June 2013
Yukio YOSHIDA	re-appointed on 25 June 2013
Mitsutoshi KATO	re-appointed on 25 June 2013
Thomas Chun Kee YIP	re-appointed on 25 June 2013

Directors' Biographies

Directors' biographies are set out in the "Biographies of Directors and Senior Management" from page 20 to page 29 of this Annual Report.

Directors' Service Contracts

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

Confirmation of Independence from the Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors, namely Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP, the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors have been independent from 1 April 2013 to 31 March 2014 and have remained 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 Corporations

As at 31 March 2014, 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 officer	Nature of Interest	Number of Shares of the Company[(1)]	Approximate percentage of interest in the Company[(2)]
Mr. Yoji SATO ("Mr. Sato")	Beneficial owner[(3)]	162,522,560	
	Interest in controlled corporation[(3)]	95,810,000	
	Interest in spouse[(3)]	760	
	Other[(5)]	192,335,800	
		450,669,120	60.668%
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)]	395,529,440	
		450,669,120	60.668%

Notes:

(1) All interests stated are long positions.

(2) There were 742,850,360 Shares in issue as at 31 March 2014.

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

(4) Mr. Kohei SATO, one of the Sato Family Members (as hereinafter defined), was appointed as a chief executive officer on 25 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 192,336,560 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 2014, 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 the 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 2014, 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)	288,145,800	
		450,669,120	60.668%
Mr. Kiyotaka SATO	Beneficial owner	10,900,000	
	Other(6)	439,769,120	
		450,669,120	60.668%
Mr. Masahiro SATO	Beneficial owner	39,759,680	
	Other(6)	410,909,440	
		450,669,120	60.668%
Mr. Shigehiro SATO	Beneficial owner	39,639,680	
	Other(6)	411,029,440	
		450,669,120	60.668%
Mrs. Yaeko NISHIWAKI	Beneficial owner	46,896,760	
	Other(6)	403,772,360	
		450,669,120	60.668%

Notes:

(1) All interests stated are long positions.

(2) There were 742,850,360 Shares in issue as at 31 March 2014.

(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 192,336,560 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 2014, 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 2014, 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 2014, none of the Directors or their respective associates (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Connected Transactions

(1) Acquisition of 100% interest in Rich-O Korea; 100% interest in Beijing GEO; and 87.61% interest in Erin International

As announced on 25 April 2013 and 9 May 2013, (1) on 5 April 2013, Dynam Hong Kong, a wholly-owned subsidiary of the Company entered into the Rich-O Korea Share Purchase Agreement, pursuant to which Dynam Hong Kong had agreed to acquire the entire interest in Rich-O Korea from Humap Japan in consideration for WON 106,623,000 (equivalent to approximately HK$740,000); and (2) on 25 April 2013, Dynam Hong Kong entered into the Erin Share Purchase Agreement and Beijing GEO Share Purchase Agreement, pursuant to which Dynam Hong Kong had agreed to acquire 87.61% and 100% equity interests, respectively, in Erin International and Beijing GEO from Humap Japan in consideration for MNT4,400,207,741 and RMB8,711,000, respectively (equivalent to approximately HK$24,651,000 and HK$10,948,000 respectively).

As Humap Japan was owned through Dynam Holdings as to approximately 86.82% collectively by Mr Sato, Rich-O and Sato Family Members, who, by virtue of their approximately 58.8% interests in the Company, are the Controlling Shareholders of the Company under the Listing Rules, Humap Japan was an associate (as defined in the Listing Rules) of Mr Sato, Rich-O and Sato Family Members and therefore a connected person of the Company under the Listing Rules. Accordingly, the Rich-O Korea Share Purchase Agreement, the Erin Share Purchase Agreement and Beijing GEO Share Purchase Agreement (collectively or individually, the "Share Purchase Agreements") constituted a series of connected transactions of the Company under Chapter 14A of the Listing Rules. As all the Share Purchase Agreements had been/would be completed within the same 12-month period, the considerations payable under the Share Purchase Agreements had been aggregated for the purposes of calculation of the consideration ratio under Rule 14.15 of the Listing Rules. As the aggregate considerations payable under the Share Purchase Agreements exceeded HK$1,000,000 and certain applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Share Purchase Agreements exceeded 0.1% but all such applicable percentage ratios were below 5%, the Share Purchase Agreements were subject to the reporting and announcement requirements but were exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

(2) Acquisition of 100% interest in Humap Japan and 100% interest in Business Partners

As announced on 25 July 2013, the Company entered into the Equity Transfer Agreements with Dynam Holdings, pursuant to which the Company agreed to acquire, and Dynam Holdings agreed to dispose of the entire issued share capital of Humap Japan and Business Partners, which were wholly-owned subsidiaries of Dynam Holdings, on the terms and subject to the conditions set out in the Equity Transfer Agreements, at a consideration of ¥3,830 million (equivalent to approximately HK$288 million) (the "Acquisition").

Given that certain percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition exceeded 5% but were less than 25%, the Acquisition constituted a discloseable transaction of the Company and was subject to the announcement requirement under Chapter 14 of the Listing Rules. In addition, as Dynam Holdings was owned as to approximately 48.91% collectively by Mr. Sato (a connected person of the Company), Mrs. Sato and Rich-O (each being an associate of Mr. Sato), Dynam Holdings is an associate of a connected person of the Company under the Listing Rules. Accordingly, Dynam Holdings is a connected person of the Company and the Acquisition also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As certain percentage ratios (other than the profits ratio) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition exceeded 5% and the total consideration exceeded HK$10,000,000, the Acquisition was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Shareholders' approval for the Acquisition was obtained in accordance with the Companies Act and the Listing Rules at the extraordinary general meeting of the Company held on 10 September 2013.

Continuing Connected Transactions exempt from Announcement Obligation

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. 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. Pursuant to the acquisition of Humap Japan and Business Partners on 1 October 2013, remaining Continuing Connected Transactions described in the following list is only applicable to a lease of the indoor golf simulator business premises. This leasing transaction meets the requirement under the Listing Rule 14A.33(3), and therefore is exempt from the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Nature	Parties involved (other than the Group)	Relationship with the Company	Actual amount (¥ million)	Annual cap (¥ million)
Property lease agreements				
– Food and beverage retail outlet leases	Humap Japan[*1]	Subsidiary of Dynam Holdings[*5]	157	352
– Indoor golf simulator business premises lease	X-Golf Japan[*2]	Subsidiary of Dynam Holdings[*5]	24	24
– Hot stone sauna business premises lease	Humap Japan	Subsidiary of Dynam Holdings[*5]	0	8
– Training centre	Humap Japan	Subsidiary of Dynam Holdings[*5]	22	44
– Bicycle parking area	Humap Japan	Subsidiary of Dynam Holdings[*5]	4	9
Cleaning and ancillary service agreements				
– Hall cleaning and ancillary services	Humap Japan	Subsidiary of Dynam Holdings[*5]	2,257	5,000
– Office cleaning and ancillary services	Business Partners[*4]	Subsidiary of Dynam Holdings[*5]	7	20
Food and beverage supply and services agreements				
– General prizes procurement	Humap Japan	Subsidiary of Dynam Holdings[*5]	201	660
– Vending machine licence	Humap Japan	Subsidiary of Dynam Holdings[*5]	20	50[1]
– Coffee wagon licence	Humap Japan	Subsidiary of Dynam Holdings[*5]	17	33[1]
– Staff cafeteria service	Humap Japan	Subsidiary of Dynam Holdings[*5]	35	97[1]
– Sales of coffee-related products[2]	Humap Japan	Subsidiary of Dynam Holdings[*5]	28	162[1]
– Drip coffee bag procurement[2]	Humap Japan	Subsidiary of Dynam Holdings[*5]	-	37[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 Japan was a wholly-owned subsidiary of Dynam Holdings. After an acquisition on 1 October 2013, Humap Japan has been a wholly-owned subsidiary of the Company. The amount of transactions between Humap Japan and the Company is recognized for the period from 1 April 2013 to 30 September 2013.

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 Japan is a wholly-owned subsidiary of Dynam Holdings.

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 was a wholly-owned subsidiary of the Dynam Holdings prior to a merger by Humap Japan on 1 April 2013.

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 was a wholly-owned subsidiary of Dynam Holdings. After an acquisition on 1 October 2013, Business Partners has been a wholly-owned subsidiary of the Company. The amount of transactions between Business Partners and the Company is recognized for the period from 1 April 2013 to 30 September 2013.

*5. Wholly-owned subsidiary of Dynam Holdings, which was held as to approximately 86.82% collectively by Mr. Yoji SATO, Rich-O and the Sato Family Members, who are the Controlling Shareholders of the Company.

Notes:

1. The annual caps have been revised in accordance with 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.

2. These agreements were originally entered into with Dynam Investment, however, pursuant to a merger by Humap Japan on 1 April 2013, counterparty of these agreements turned out to be Huamp Japan.

3. These agreements were entered into between Beijing GEO and Humap Japan on 15 May 2013. For details, please refer to the announcement made on 15 May 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 the 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 the Company 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 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.

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 49 to the Financial Statements which include details of other related party transactions entered into by the Group during the year ended 31 March 2014, 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 2014 or at the end of the year.

Remuneration Policy

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

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

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in note 14 to the Financial Statements from page 125 to page 127 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 2014.

Donations

During the year ended 31 March 2014, the Group made donations of approximately ¥126 million.

Pension Scheme

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

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

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 suppliers:	**2014**	2013
G-prize supplier	**53.7%**	53.6%
General prize supplier	**46.5%**	39.6%
Pachinko and pachislot machine supplier	**19.1%**	16.6%

	Year ended 31 March	
Top five suppliers:	**2014**	2013
G-prize suppliers	**96.7%**	96.1%
General prize suppliers	**85.5%**	80.6%
Pachinko and pachislot machine suppliers	**47.1%**	48.1%

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

During the period from 1 April 2013 to 31 March 2014 (the "Reporting Period") and up to the date of despatch of this Annual Report, the Company had complied with all applicable code provisions set out in 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 70 to page 77 of this Annual Report for further details.

Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Reporting Period, the details are set out in the Corporate Governance Report on page 71 of this Annual Report.

Auditor

The Financial Statements 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. RSM will retire as auditor of the Company upon conclusion of the coming AGM and the resolution for the appointment of PricewaterhouseCoopers Aarata as new auditor of the Company will be proposed at the coming AGM in accordance with the Listing Rules.

On behalf of the Board
Yoji SATO
Chairman of the Board

Japan, 29 May 2014

Corporate Governance Report

Corporate Governance

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

Compliance with the Corporate Governance Code

During the period from 1 April 2013 to 31 March 2014 and up to the date of despatch of this Annual Report, the Company has complied with all applicable code provisions set out in the Code except for the following deviations.

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Currently, Mr. Yoji SATO, who has ceased to act as a Chief Executive Officer since 25 June 2013, remains as the chairman of the Board and Mr. Kohei SATO, who was appointed as another Chief Executive Officer on 25 January 2013, has become the only Chief Executive Officer of the Company since 25 June 2013. The Board has arranged the roles of chairman and Chief Executive Officer of the Company separated for the purpose of complying with the code provision A.2.1.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting should be sent to shareholders at least 20 clear business days before the meeting. The AGM for the year ended 31 March 2013 was held on 25 June 2013 and its notice was despatched on 3 June 2013. Furthermore, the AGM for the year ended 31 March 2014 is scheduled to be held on 26 June 2014, while the AGM notice is expected to be despatched on 3 June 2014. 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 is less than 20 clear business days before the AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months (i.e. on or before 30 June) after the expiration of each financial year. 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 IFRS as required under the Listing Rules. As a result, more time was required to finalise the 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 year ended 31 March 2014. In addition to the Model Code, the Company has formulated and adopted the "Code of Conduct for Prevention of Insider Trading" as at 1 April 2014 for employees of the Company who are likely to have access to unpublished inside information of the Group.

The Board of Directors

The Board is collectively responsible for the management and operations of the Company, setting fundamental business strategies and policies for the management and operation of the Group's business and monitoring their implementation. It is accountable to the Shareholders for its performance and activities and is the ultimate decision making body of the Group except for those matters that are reserved for approval by Shareholders in accordance with the Articles of Incorporation, the Listing Rules and other applicable laws and regulations. All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times. The running of the day-to-day businesses of the Company is delegated by the Board to the Chief Executive Officer and other senior management 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. The senior management is being held accountable for reporting to the Board at least once in 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 Executive Director of the Company is an elder brother of Mr. Kohei SATO, the Chief Executive Officer.

During the year ended 31 March 2014, the Board has adopted a Board Diversity Policy to comply with a new code provision on board diversity effective from 1 September 2013. The Policy aims to set out the approach to achieve diversity in the Board to enhance the effectiveness of the Board and achieve a sustainable development of the Company. Selection of candidates for Directors will be based on meritocracy, and candidates will be considered by objective criteria, having due regard for the benefits of diversity on the Board. Candidates will not be discriminated on the grounds of gender, age, cultural and educational background, ethnicity, religious or philosophical belief, etc.

Attendance of each Director at Board meetings, committees' meetings and Shareholders' meetings held during the year ended 31 March 2014 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	17	15	11	8	2
Executive Director					
Mr. Yoji SATO (Chairman of the Board)	17/17	N/A	11/11	8/8	2/2
Non-executive Director					
Mr. Noriaki USHIJIMA	17/17	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Mr. Katsuhide HORIBA	17/17	N/A	11/11	8/8	2/2
Mr. Ichiro TAKANO	17/17	15/15	N/A	N/A	2/2
Mr. Yukio YOSHIDA	17/17	15/15	N/A	N/A	2/2
Mr. Mitsutoshi KATO	17/17	N/A	11/11	8/8	2/2
Mr. Thomas Chun Kee YIP	16/17	15/15	N/A	N/A	1/2

Board meetings were held 17 times, Audit Committee meetings 15 times, Remuneration Committee meetings 11 times and Nomination Committee meetings 8 times. Shareholders' meetings were held 2 times.

Confirmation on Independence

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

During the year ended 31 March 2014, Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP were outside Directors (*shagai torishimariyaku* 社外取締役) of the Company. The Directors are of the view that this position does not affect these five persons' independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by the Company's Japan legal adviser, Soga Law Office, the five persons, as outside Directors (*shagai torishimariyaku* 社外取締役), were not allowed to perform any executive functions in the Company under the relevant Japanese law and (ii) the five persons are independent of the Company, Directors, Chief Executive Officer, substantial Shareholders, Controlling Shareholders, each of our subsidiaries and each of their respective associates.

Director's 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. 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 2014, 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; Mr. Kato has participated in seminars about the latest information on the situation of the Stock Exchange; 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. At the meeting of the Board of Directors held on 25 July 2013, Mr. Go UMEHARA, a joint company secretary of the Company, provided information on Directors' duties and responsibilities in connection with the addition of Code Provision A.5.6 concerning "Board Diversity".

Audit Committee and Review of Financial Statements

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Ichiro TAKANO (chairman), Mr. Yukio YOSHIDA and Mr. Thomas Chun Kee YIP. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee also monitors the Directors in fulfilling their fiduciary duties.

The Audit Committee held 15 meetings during the year ended 31 March 2014 with an attendance rate of 100%. The results for the year ended 31 March 2014 have been reviewed by the Audit Committee.

Remuneration Committee

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

The Remuneration Committee held 11 meetings during the year ended 31 March 2014 with an attendance rate of 100%. The Remuneration Committee reviewed and recommended to the Board for approval of the remuneration package of all Directors and other senior management of the Company.

Details of the Directors' remuneration are set out in note 14 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 2014 is set out below:

Remuneration bands	Number of individuals
HK$500,000 to HK$1,000,000 (equivalent to ¥6,645,000 to ¥13,290,000)	1
HK$1,000,001 to HK$2,000,000 (equivalent to ¥13,290,013 to ¥26,580,000)	2
HK$2,000,001 to HK$3,000,000 (equivalent to ¥26,580,013 to ¥39,870,000)	2
HK$3,000,001 to HK$4,000,000 (equivalent to ¥39,870,013 to ¥53,160,000)	1

Nomination Committee

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

The Nomination Committee held 8 meetings during the year ended 31 March 2014 with an attendance rate of 100%. The Nomination Committee recommended the appointment of Directors of the Company for the approval from the upcoming AGM held in June 2014. In addition, the Nomination Committee has established the board diversity policy of the 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 year ended 31 March 2014, the Company has prepared and adopted "Regulations on Prevention of Insider Trading" (with effect from 1 April 2014), which includes a guideline for officers and employees to report unpublished inside information to the Company to ensure consistent and timely disclosure and fulfillment of the Company's continuous obligations.

Directors' Responsibilities for the Accounts

The Directors recognise the responsibility for preparing the 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 laws and regulations. The Company employs internal controls and procedures to ensure our pachinko operations are in compliance with the applicable laws and regulations in Japan and to detect and prevent money laundering activities in our pachinko operations. The internal control measures enable us to detect irregularities and unusual trends in the transactions that take place in the Group's pachinko halls which, if detected, are reported to the senior management for investigation and remediation. In addition, the hall staff are trained to detect irregular customer activities, particularly those involving large amounts of cash.

Auditor's Remuneration

The Company's external auditor is RSM.

During the year ended 31 March 2014, 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*	59	4.44
Non-audit services	–	–
Total fees	59	4.44

* Audit services in connection with the audit of the financial statements of the Company and its subsidiaries for the year ended 31 March 2014.

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

Shareholders' Rights

Rights to demand that Directors to call a Shareholders' meeting

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

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or the registered office in Japan, or by e-mail to the Company's website at dynamjapan_ir@dyjh.co.jp.

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

Shareholders continuously holding not less than 1% of the votes of all Shareholders or not less than 300 votes of all Shareholders for six months 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 AGM is to be held no less than ten weeks prior to the date of such meeting by making a voluntary announcement on the websites of the Company and the Stock Exchange.

Investor Relations

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

Amendments to the Articles of Incorporation

During the year ended 31 March 2014, the Company has twice amended its Articles of Incorporation on 25 June 2013 and 10 September 2013. For details, please refer to the Company's announcements dated 26 June 2013 and 10 September 2013 respectively.

Changes to Information in Respect of Directors

Save as disclosed herein, for the year ended 31 March 2014 and up to the date of this Annual Report, there were no changes to information required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules except that Mr. Yoji SATO has ceased to act as a Chief Executive Officer since 25 June 2013.

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. The Company has complied with Rule 3.29 of the Listing Rules since Ms. Mok and Mr. Umehara have undertaken no less than 15 hours of relevant profession training during the year ended 31 March 2014.

Independent Auditor's Report

TO THE SHAREHOLDERS OF
DYNAM JAPAN HOLDINGS Co., Ltd.
(Incorporated in Japan with limited liability)

We have audited the consolidated financial statements of DYNAM JAPAN HOLDINGS Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 160, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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.

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 2014, 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
29 May 2014

Consolidated Statement of Profit or Loss

For the year ended 31 March 2014

	Note	2014 ¥ million	2013 ¥ million
Revenue	8	**165,754**	163,961
Other income	9	**10,799**	9,250
Hall operating expenses	10	**(135,891)**	(133,904)
General and administrative expenses		**(4,075)**	(3,112)
Other operating expenses		**(1,128)**	(1,906)
Profit from operations		**35,459**	34,289
Finance costs	11	**(781)**	(853)
Profit before tax		**34,678**	33,436
Income tax expense	12	**(13,368)**	(12,511)
Profit for the year	13	**21,310**	20,925
Attributable to:			
Owners of the Company		**21,328**	20,925
Non-controlling interests		**(18)**	–
		21,310	20,925
Earnings per share	17		
Basic (¥)		**28.7**	29.7
Diluted (¥)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Note	2014 ¥ million	2013 ¥ million
Profit for the year		**21,310**	20,925
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit retirement plans	36(d)	**(8)**	(48)
— Income tax arising from actuarial loss thereof		**3**	16
		(5)	(32)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**512**	375
Fair value changes of available-for-sale financial assets		**5,720**	197
— Income tax arising from fair value changes thereof		**(6)**	(68)
		6,226	504
Other comprehensive income for the year, net of tax		**6,221**	472
Total comprehensive income for the year		**27,531**	21,397
Attributable to:			
Owners of the Company		**27,556**	21,397
Non-controlling interests		**(25)**	–
		27,531	21,397

Consolidated Statement of Financial Position

At 31 March 2014

	Note	2014 ¥ million	2013 ¥ million
Non-current assets			
Property, plant and equipment	18	**94,605**	93,853
Investment properties	19	**745**	769
Intangible assets	20	**1,408**	1,411
Available-for-sale financial assets	21	**15,413**	706
Held-to-maturity investment	22	**10**	–
Finance lease receivables	35(a)	**171**	–
Deferred tax assets	37	**11,937**	9,934
Other long-term assets	24	**10,497**	10,636
		134,786	117,309
Current assets			
Inventories	25	**6,125**	3,375
Trade receivables	26	**563**	359
Held-to-maturity investment	22	**–**	10
Financial assets at fair value through profit or loss	23	**3,875**	–
Finance lease receivables	35(a)	**395**	–
Prepayments and other receivables	27	**5,142**	5,337
Amounts due from related companies	28	**10**	21
Pledged bank deposits	29	**6**	–
Bank and cash balances	29	**34,830**	41,466
		50,946	50,568
TOTAL ASSETS		**185,732**	167,877
Current liabilities			
Trade payables	30	**1,722**	905
Accruals and other payables	31	**19,160**	19,376
Derivative financial instruments	32	**47**	57
Amounts due to related companies	33	**–**	452
Borrowings	34	**1,265**	1,258
Finance lease payables	35(b)	**869**	1,223
Provisions	38	**1,619**	1,438
Current tax liabilities		**8,984**	5,985
		33,666	30,694
Net current assets		**17,280**	19,874
Total assets less current liabilities		**152,066**	137,183

At 31 March 2014

	Note	2014 ¥ million	2013 ¥ million
Non-current liabilities			
Derivative financial instruments	32	**83**	132
Deferred tax liabilities	37	**380**	–
Borrowings	34	**3,059**	4,325
Finance lease payables	35(b)	**332**	1,120
Retirement benefit obligations	36	**63**	1,869
Other long-term liabilities	39	**1,545**	305
Provisions	38	**3,787**	3,605
		9,249	11,356
NET ASSETS		**142,817**	125,827
Capital and reserves			
Share capital	40	**15,000**	15,000
Reserves	42(a)	**127,797**	110,827
Equity attributable to owners of the Company		**142,797**	125,827
Non-controlling interests		**20**	–
TOTAL EQUITY		**142,817**	125,827

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company												
	Share capital	Investment revaluation reserve (Note 42(c)(i))	Capital reserve (Note 42(c)(ii))	Capital surplus (Note 42(c)(iii))	Legal reserve (Note 42(c)(iv))	Other capital surplus (Note 42(c)(v))	Other reserves (Note 42(c)(vi))	Foreign currency translation reserve (Note 42(c)(vii))	Retained profits	Proposed dividend	Total	Non-controlling interests	Total equity
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
At 1 April 2012	5,000	(14)	(44,619)	1,250	1,257	48,271	60	-	82,269	-	93,474	-	93,474
Total comprehensive income for the year	-	129	-	-	-	-	(32)	375	20,925	-	21,397	–	21,397
Issue of new shares	10,000	-	-	5,884	-	-	-	-	-	-	15,884	-	15,884
Share issue expenses	-	-	-	(657)	-	-	-	-	-	-	(657)	-	(657)
2013 interim dividend paid	-	-	-	-	-	-	-	-	(4,271)	-	(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	-	32,353
At 31 March 2013 and 1 April 2013	15,000	115	(44,619)	6,477	1,257	48,271	28	375	93,537	5,386	125,827	-	125,827
Total comprehensive income for the year	**-**	**5,714**	**-**	**-**	**-**	**-**	**(5)**	**519**	**21,328**	**-**	**27,556**	**(25)**	**27,531**
Increase due to acquisition of subsidiaries (Note 43)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45**	**45**
Transfer upon the curtailment of defined benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**(21)**	**-**	**21**	**-**	**-**	**-**	**-**
2013 final dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,386)**	**(5,386)**	**-**	**(5,386)**
2014 interim dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,200)**	**-**	**(5,200)**	**-**	**(5,200)**
2014 proposed final dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,200)**	**5,200**	**-**	**-**	**-**
Total changes in equity for the year	**-**	**5,714**	**-**	**-**	**-**	**-**	**(26)**	**519**	**10,949**	**(186)**	**16,970**	**20**	**16,990**
At 31 March 2014	**15,000**	**5,829**	**(44,619)**	**6,477**	**1,257**	**48,271**	**2**	**894**	**104,486**	**5,200**	**142,797**	**20**	**142,817**

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	2014 ¥ million	2013 ¥ million
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**34,678**	33,436
Adjustments for:		
Allowance for finance lease receivables	**2**	–
Allowance for trade receivables	**12**	–
Amortisation of intangible assets	**533**	473
Dividends income	**(23)**	(21)
Depreciation	**10,234**	10,507
Exchange gain	**(1,163)**	(3,164)
Fair value loss on investment properties	**24**	10
Fair value gain on derivative financial instruments	**(59)**	(7)
Fair value gain on financial assets at fair value through profit or loss	**(2,301)**	–
Finance costs	**781**	853
Gain on bargain purchases	**(754)**	–
Impairment loss on other long-term assets	**16**	7
Impairment loss on intangible assets	**10**	47
Interest income	**(44)**	(1)
Intangible assets written off	**16**	1
Loss on disposals and write off of property, plant and equipment	**59**	385
Loss on disposals of investment properties	**–**	50
Provision for retirement benefit obligation	**787**	292
Provision/(reversal of provision) for staff vacation payable	**60**	(22)
(Reversal of impairment loss)/impairment loss on property, plant and equipment	**(55)**	1,082
Operating profit before working capital changes	**42,813**	43,928
(Increase)/decrease in inventories	**(2,648)**	1,156
Decrease in trade receivables	**703**	22
Decrease in other long-term assets	**576**	615
Decrease in finance lease receivables	**105**	–
Decrease/(increase) in prepayments and other receivables	**536**	(1,805)
Decrease/(increase) in amounts due from related companies	**17**	(1)
Increase/(decrease) in trade payables	**654**	(243)
Decrease in accruals and other payables	**(1,993)**	(1,714)
Decrease in other long-term liabilities	**(395)**	(33)
Decrease in retirement benefit obligations	**(114)**	(275)
(Decrease)/increase in amounts due to related companies	**(579)**	9

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 ¥ million	2013 ¥ million
Cash generated from operations		**39,675**	41,659
Income taxes paid		**(11,225)**	(11,988)
Finance costs paid		**(995)**	(1,341)
Net cash generated from operating activities		**27,455**	28,330
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(9,292)**	(10,723)
Purchase of intangible assets		**(517)**	(443)
Purchase of held-to-maturity investment		**(10)**	–
Purchase of financial assets at fair value through profit or loss		**(1,481)**	–
Purchase of available-for-sale financial assets		**(8,873)**	–
Acquisition of subsidiaries	43	**(2,378)**	–
Proceeds from disposals of property, plant and equipment		**4**	47
Proceeds from disposal of investment property		**–**	198
Proceeds from sale of held-to-maturity investment		**10**	–
Interest received		**44**	1
Dividend received		**23**	21
Net cash used in investing activities		**(22,470)**	(10,899)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**–**	15,500
Repayment of bank loans		**(1,295)**	(33,191)
Repayment of finance lease		**(1,221)**	(1,176)
Issue of new shares		**–**	15,884
Share issue expenses paid		**–**	(774)
Dividends paid		**(10,586)**	(4,271)
Net cash used in financing activities		**(13,102)**	(8,028)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,481**	3,539
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,636)**	12,942
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**41,466**	28,524
CASH AND CASH EQUIVALENTS AT END OF YEAR		**34,830**	41,466
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**34,830**	41,466

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

1. General Information

The Company was incorporated in Japan under the Companies Act 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 Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 August 2012.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 44 to the financial statements.

On 1 April 2013, DYNAM Land & Building Co., Ltd. (株式会社ダイナム土地建物) ("Dynam Land & Building") has effected an absorption-type merger of Dynam Data Processing Co., Ltd. (株式会社ダイナム情報処理), Dynam P Trading Co., Ltd. (株式会社ダイナムPトレーディング) and Dynam Advertisement Planning Co., Ltd. (株式会社ダイナムアド企画); and Cabin Plaza has effected an absorption-type merger of Daikokuten Co., Ltd. (大黒天株式会社) ("Daikokuten") and Okuwa Japan Co., Ltd. (株式会社オークワジャパン) ("Okuwa Japan"). Upon the completion of merger, Dynam Land & Building has changed its business name to Dynam Business Support.

In the opinion of the Directors, as at 31 March 2014, Mr. Yoji Sato and Sato Family Members as defined in the prospectus of the Company dated 24 July 2012 (the "Prospectus") are the ultimate controlling parties of the Company.

2. Basis of Preparation of the Financial Statements

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

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

3. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 April 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); 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 except as stated below.

a. Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for the statements of comprehensive income and income statement that has been applied by the Group. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 did not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. IFRS 13 "Fair Value Measurement"

IFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 affected only disclosures on fair value measurements in the consolidated financial statements. IFRS 13 has been applied prospectively.

3. Adoption of New and Revised International Financial Reporting Standards (Continued)

c. IAS 19 (2011) "Employee Benefits"

IAS 19 (2011) changes the accounting for defined benefit obligations and plan assets. It requires the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminates the 'corridor approach' permitted under the previous version of IAS 19 and accelerates the recognition of past service costs. It requires all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

The adoption of IAS 19 (2011) did not result in any significant impact on the Group's accounting 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. The Group does not plan to adopt these standards prior to its mandatory effective date.

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 their judgement in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

4. Significant Accounting Policies (Continued)

(a) Consolidation (Continued)

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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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

4. Significant Accounting Policies (Continued)

(b) Merger accounting for business combinations under common control

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

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

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

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

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

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 31 March 2014 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

4. Significant Accounting Policies (Continued)

(c) Business combinations (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(ab)) 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.

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

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 ("¥" or "JPY"), which is the Company's functional and presentation currency.

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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 appropriate to write off their cost less their residual values over the estimated useful lives on a straight-line basis and reducing balance basis. The principal useful lives are as follows:

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

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

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

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

4. Significant Accounting Policies (Continued)

(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.

(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

4. Significant Accounting Policies (Continued)

(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.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(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

(a) Operation of pachinko halls

(i) Prizes

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 using the first in, first out basis.

(b) Property under development for sale

Inventories in respect of property development activities are carried at the lower of cost and net realisable value.

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

(c) Catering and cleaning services

Inventories are stated at the lower of cost and net realisable value. Cost for catering services is determined using the first-in, first-out basis and the cost for cleaning services is determined using the weighted average basis. The cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

(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.

4. Significant Accounting Policies (Continued)

(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 except in the case of financial assets at fair value through profit or loss.

(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 either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(l) Investments (Continued)

(iii) Available-for-sale financial assets

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

Investments in equity instruments 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 equity instruments are measured at cost less impairment losses.

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.

(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 receivables' 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.

4. Significant Accounting Policies (Continued)

(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.

(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 below.

(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.

4. Significant Accounting Policies (Continued)

(t) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value. Changes in the fair value of derivatives are recognised in profit or loss as they arise.

(u) Revenue recognition

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

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 represents 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.

Income from catering services is recognised at the point of sale to customers.

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.

(v) 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.

4. Significant Accounting Policies (Continued)

(w) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(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.

(iii) Defined benefit plans

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. If there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements of the net defined benefit liability which include actuarial gains and losses is recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss. Service costs and interest on the defined benefit liability are recognised immediately in profit or loss.

Interest on the defined benefit liability is determined by multiplying the defined benefit liability by the discount rate used to measure defined benefit obligation at the start of the annual reporting period, taking account of any changes in the defined benefit liability during the period as a result of contribution and benefit payments.

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

4. Significant Accounting Policies (Continued)

(x) 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 their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets 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 asset, 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.

(y) 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.

(z) 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 includes items from previous years that were not deductible or taxable, excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's 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, 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.

4. Significant Accounting Policies (Continued)

(z) Taxation (Continued)

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.

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.

4. Significant Accounting Policies (Continued)

(aa) 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 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)

(ab) 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, financial assets, 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 any 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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(ac) 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)

(ad) 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

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 (apart from those involving estimations, which are dealt with below).

(a) *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.

(b) *Deferred tax liability for unrealised fair value gain on listed securities*

The Group determines whether deferred tax liability is recognised on a temporary difference arising on unrealised fair value gain on listed securities. In making its judgement, the Group considers whether an investment is held for trading purpose or is held for long term business strategy purpose on which the Group will not sell the investment frequently and shortly after the acquisition. The Group also considers whether the transaction has taken place in a country which has implemented capital gains tax and determines whether the gain realised upon the sales of listed securities that was purchased for the purpose of capital appreciation be exempt from capital gains tax.

Judgement is applied in determining whether the listed securities qualify for the capital gains exemption. The Group considers each investment separately in making its judgement.

5. Critical Judgements and Key Estimates (Continued)

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.

(a) *Fair value of certain assets and liabilities involving valuation techniques*

The Group appointed independent professional valuers to assess the fair values of the investment properties, derivative financial instruments and the amount of retirement benefit obligations as set out in notes 19, 32 and 36 respectively to the financial statements. In determining these values, the valuers have utilised methods of valuation which involve certain estimates. The directors have exercised their judgement and are satisfied that the inputs and methods of valuation are reflective of the current market conditions.

(b) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) *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.

(d) *Impairment of property, plant and equipment*

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

(e) *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.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(f) *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.

(g) *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.

(h) *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.

(i) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There is an unrealised fair value gain on listed securities in Hong Kong classified as available-for-sale financial assets (note 21 to the financial statements) for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of this matter is different than initially estimated, such difference will impact the deferred tax provision 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 Hong Kong dollars ("HK$") and United States dollars ("USD"), other than the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2014, if the JPY had weakened or strengthened 10% against the HK$ with all other variables held constant, consolidated profit after tax for the year would have been ¥186 million (2013: ¥1,146 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in HK$.

At 31 March 2014, if the JPY had weakened or strengthened 10% against the USD with all other variables held constant, consolidated profit after tax for the year would have been ¥295 million (2013: ¥108 million) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on bank and cash balances denominated in USD.

At 31 March 2014, if the JPY had weakened or strengthened 10% against the HK$ with all other variables held constant, consolidated other comprehensive income would have been ¥12 million (2013: Nil) higher or lower respectively, arising mainly as a result of the foreign exchange gain or loss on available-for-sale financial assets denominated in HK$.

6. Financial Risk Management (Continued)

(b) Price risk

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

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

	Impact on consolidated profit after tax		Impact on other comprehensive income	
Index	**2014**	2013	**2014**	2013
	¥ million	¥ million	**¥ million**	¥ million
Hang Seng Index	**162**	–	**725**	–
Tokyo Price Index	**–**	–	**20**	19

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

6. Financial Risk Management (Continued)

(c) Credit risk

The carrying amount of the bank and cash balances, pledged bank deposits, trade and other receivables, investments 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, with exposure spread over a number of counterparties and customers.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on bank and cash balances and pledged bank deposits are 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.

(d) Liquidity risk

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

6. Financial Risk Management (Continued)

(d) Liquidity risk (Continued)

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 2014					
Trade payables	**1,722**	**–**	**–**	**–**	**1,722**
Accruals and other payables	**19,160**	**–**	**–**	**–**	**19,160**
Derivative financial instruments	**47**	**38**	**42**	**3**	**130**
Finance lease payables	**895**	**298**	**40**	**–**	**1,233**
Borrowings	**1,360**	**1,066**	**1,677**	**458**	**4,561**
Other long-term liabilities	**–**	**506**	**751**	**126**	**1,383**
	23,184	**1,908**	**2,510**	**587**	**28,189**

	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

6. Financial Risk Management (Continued)

(e) Interest rate risk

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

At 31 March 2014, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

Increase/(decrease) in interest rate	**2014** **¥ million**	2013 ¥ million
25 basis points	**4**	4
(25) basis points	**(4)**	(4)

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

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 2014, if the underlying interest rates for computation of the fair value of interest rate swap contracts at the end of the reporting period increase/(decrease) by 25 basis points, with all other variables held constant, the Group's profit after tax for the year would have increased/(decreased) as a result of change in the fair value of derivative financial instruments as follows:

Increase/(decrease) in interest rate	**2014** **¥ million**	2013 ¥ million
25 basis points	**14**	20
(25) basis points	**(13)**	(20)

6. Financial Risk Management (Continued)

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

	2014 ¥ million	2013 ¥ million
Financial assets:		
Available-for-sale financial assets	**15,413**	706
Financial assets at fair value through profit or loss:		
Held for trading	**3,875**	–
Held-to-maturity investment	**10**	10
Loans and receivables (including cash and cash equivalents)	**41,335**	47,494
Financial liabilities:		
Derivative financial instruments	**130**	189
Financial liabilities at amortised cost	**23,785**	22,925

(g) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

(a) Disclosures of level in fair value hierarchy at 31 March:

Description	Fair value measurements using: Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total 2014 ¥ million
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	3,875	-	-	3,875
Available-for-sale financial assets				
Listed securities in Japan	627	-	-	627
Listed securities in Hong Kong	14,490	-	-	14,490
	15,117	-	-	15,117
Interest rate swaps	-	130	-	130
Investment properties				
Commercial — Japan	-	-	745	745
Total recurring fair value measurements	18,992	130	745	19,867

7. Fair Value Measurements (Continued)

(a) Disclosures of level in fair value hierarchy at 31 March: (Continued)

Description	Fair value measurements using: Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total 2013 ¥ million
Available-for-sale financial assets				
Listed securities in Japan	611	–	–	611
Interest rate swaps	–	189	–	189
Total	611	189	–	800

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

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties 2014 ¥ million
At 1 April	**769**
Total losses recognised in profit or loss(#)	**(24)**
At 31 March	**745**
(#) Include losses for assets held at end of reporting period	**(24)**

During the year, there was no transfer from measurement based on level 3 to level 2.

The total losses recognised in profit or loss including those for assets held at end of reporting period are presented in other operating expenses in the consolidated statement of profit or loss.

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2014

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For levels 2 and 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

7. Fair Value Measurements (Continued)

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2014 (Continued)

Level 2 fair value measurements

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

Level 3 fair value measurements

Description	Valuation approach	Unobservable inputs	Range of unobservable inputs	Effect on fair value for increase of inputs	Fair value 2014 ¥ million
Investment properties	Income approach	Discount rate	12.0%	Decrease	
		Rental period	9.1–10.5 years	Increase	
		Capitalisation rate	15.0%	Decrease	
		Market rent	¥12,358–¥15,022 per tsubo	Increase	668
	Sales comparison approach	Transaction price for similar land	¥166–¥30,189 per square meter	Increase	
		Adjustment for attributes of the subject (*)	28.0%–80.0%	Increase	77
					745

(*) Including but not limited to scale, shape, size and possibility to get the development permission.

During the year, there was no change in the valuation approach used.

8. 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 ("CODM") in order to allocate resources to the segment and to assess its performance.

The Group is principally engaged in the operation of pachinko halls in Japan. Other activities such as cleaning and catering services are considered ancillary to pachinko halls operation. For those non-halls activities operated in other countries, the Group considered that their contributions results, assets and liabilities are not significantly to the Group.

In the manner consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment, the Group has identified a single business in a single geographical location, which is the operation of pachinko halls in Japan. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the CODM. No analysis of the Group's results, assets and liabilities of other reportable segment is presented as it is not regularly provided to the CODM of the Company for review.

Over 90% of the Group's revenue, assets and liabilities are derived from customers and operation based in Japan and accordingly, no further analysis of the Group's geographical information is disclosed.

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

	2014 **¥ million**	2013 ¥ million
Gross pay-ins	**922,172**	929,158
Less: Gross payouts	**(756,418)**	(765,197)
Revenue	**165,754**	163,961

9. Other Income

	2014 ¥ million	2013 ¥ million
Bank interest income	**44**	1
Commission income from vending machines and in-store sales	**4,084**	4,083
Dividends income	**23**	21
Fair value gain on financial assets at fair value through profit or loss	**2,301**	–
Gain on bargain purchases	**754**	–
Income from forfeiture of unutilised balls and tokens	**343**	409
Income from catering services	**264**	–
Net foreign exchange gain	**1,159**	2,959
Net gain on disposals of used machines	**467**	454
Rental income	**717**	862
Reversal of impairment loss on property, plant and equipment	**55**	–
Others	**588**	461
	10,799	9,250

10. Hall Operating Expenses

	2014 ¥ million	2013 ¥ million
Advertising expenses	**4,686**	5,118
Cleaning and ancillary services	**3,928**	4,407
Depreciation charges	**10,116**	10,480
G-prize expenses	**5,302**	5,314
Hall staff costs	**44,527**	45,755
Pachinko and pachislot machine expenses	**38,107**	33,866
Rental	**10,459**	10,268
Repair and maintenance	**2,647**	3,658
Utilities expenses	**5,429**	4,897
Others	**10,690**	10,141
	135,891	133,904

11. Finance Costs

	2014 **¥ million**	2013 ¥ million
Finance leases charges	**69**	115
Interest expenses on loan from related companies	**1**	–
Interest on bank loans and syndicated loans		
— Wholly repayable within five years	**60**	200
— Not wholly repayable within five years	**40**	48
Total borrowing costs	**170**	363
Amortisation of syndicated loan bank charges	**530**	414
Provision, unwinding of discount	**77**	75
Others	**4**	1
	781	853

12. Income Tax Expense

	2014 **¥ million**	2013 ¥ million
Current tax — Japan Profits Tax		
Provision for the year	**13,749**	11,633
Under-provision in prior years	**440**	–
	14,189	11,633
Current tax — Overseas		
Provision for the year	**35**	–
Deferred tax (Note 37)		
(Reversal of provision)/provision for the year	**(856)**	878
Income tax expense	**13,368**	12,511

Hong Kong Profits Tax included in overseas taxation above has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 March 2014. No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2013 as the Group did not generate any assessable profits arising in Hong Kong during that year.

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.

12. Income Tax Expense (Continued)

Under the Tax Reform 2014 announced by The Ministry of Finance of Japan in December 2013 that, 10% surcharge on the special corporate tax for reconstruction ceased one year ahead of schedule in order to enable the revitalisation of the Japanese economy. Consequently, starting from the fiscal year beginning on or after 1 April 2014, the effective corporate tax rate including the corporate income tax, resident tax and business tax, of the Group has reduced as follows:

	Effective tax rate	
	Fiscal year beginning on or after 1 April 2012	**Fiscal year beginning on or after 1 April 2014**
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%
Humap Japan	38.6%	36.3%
Genghis Khan	38.6%	36.3%
P Insurance	39.4%	37.1%
Business Partners	38.6%	36.3%

12. 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:

	2014 **¥ million**	2013 ¥ million
Profit before tax	**34,678**	33,436
Japan Profits Tax rate	**38%**	38%
Tax at the domestic income tax rate	**13,178**	12,706
Tax effect of income that is not taxable	**(318)**	(4)
Tax effect of expenses that are not deductible	**600**	289
Tax effect of temporary differences not recognised	**11**	103
Tax effect of utilisation of tax losses not previously recognised (note)	**(191)**	(310)
Tax effect of temporary differences not previously recognised (note)	**(318)**	–
Tax effect of recognition of unused tax losses not previously recognised (note)	**(29)**	–
Tax losses not recognised	**12**	1
Under-provision in prior years	**440**	–
Effect of different tax rates of subsidiaries	**(646)**	(94)
Effect of change in tax rate	**790**	68
Others	**(161)**	(248)
Income tax expense	**13,368**	12,511

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

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

13. Profit for the Year

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

	2014	2013
	¥ million	¥ million
Amortisation of intangible assets (included in hall operating expenses)	**533**	473
Acquisition-related costs (included in other operating expenses)	**45**	–
Auditor's remuneration	**59**	45
Allowance for finance lease receivables	**2**	–
Allowance for trade receivables	**12**	–
Depreciation	**10,234**	10,507
Directors' emoluments		
— As directors	**57**	85
— As management	**–**	–
	57	85
Fair value loss on investment properties	**24**	10
Fair value gain on financial assets at fair value through profit or loss	**(2,301)**	–
Impairment loss on other long-term assets (included in other operating expenses)	**16**	7
Impairment loss on intangible assets (included in other operating expenses)	**10**	47
Intangible assets written off	**16**	1
Loss on disposals and write off of property, plant and equipment	**59**	385
Loss on disposal of investment properties	**–**	50
Net foreign exchange gain	**(1,159)**	(2,959)
Net (gain)/loss on derivative financial instruments	**(1)**	57
Operating lease charges		
— Land and buildings	**10,649**	10,340
(Reversal of impairment)/impairment loss on property, plant and equipment	**(55)**	1,082
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	**48,144**	46,293
— Expenses recognised in respect of defined benefit retirement plans	**787**	292
— Contribution to defined contribution retirement plans	**505**	474
	49,436	47,059

14. 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 2014					
Executive director					
Mr. Yoji Sato	-	12.2	1.4	8.5	22.1
Non-executive director					
Mr. Noriaki Ushijima	-	6.0	0.1	-	6.1
Independent non-executive director					
Mr. Katsuhide Horiba	-	6.0	0.1	-	6.1
Mr. Ichiro Takano	-	6.0	0.1	-	6.1
Mr. Yukio Yoshida	-	6.0	0.1	-	6.1
Mr. Mitsutoshi Kato	-	5.0	0.1	-	5.1
Mr. Thomas Chun Kee Yip	-	5.0	0.1	-	5.1
Total	-	46.2	2.0	8.5	56.7
Chief executive officer					
Mr. Kohei Sato	-	40.6	1.2	8.5	50.3

14. 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 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

Notes:

(i) Mr. Kohei Sato was appointed as a chief executive officer on 25 January 2013.

(ii) Mr. Yoji Sato ceased to act as a chief executive officer on 26 June 2013.

(iii) 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 2014 (2013: Nil).

14. 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 (2013: one) director whose emolument is reflected in the analysis presented above. The emoluments of the remaining four (2013: four) individuals are set out below:

	2014 ¥ million	2013 ¥ million
Salaries and allowances	86	82
Discretionary bonus	22	19
Retirement benefit contributions scheme	1	12
	109	113

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

	2014	2013
HK$1,500,001 to HK$2,000,000 (equivalent to ¥19,935,013 to ¥26,580,000) (2013: equivalent to ¥18,195,012 to ¥24,260,000)	2	–
HK$2,000,001 to HK$2,500,000 (equivalent to ¥26,580,013 to ¥33,225,000) (2013: equivalent to ¥24,260,012 to ¥30,325,000)	2	3
HK$2,500,001 to HK$3,000,000 (equivalent to ¥33,225,013 to ¥39,870,000) (2013: equivalent to ¥30,325,012 to ¥36,390,000)	–	–
HK$3,000,001 to HK$3,500,000 (equivalent to ¥39,870,013 to ¥46,515,000) (2013: equivalent to ¥36,390,012 to ¥42,455,000)	–	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 2014 (2013: Nil).

15. 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 have defined contribution retirement covers all full-time employees of the Group, depending on the jurisdiction. In addition, the Group's certain subsidiaries incorporated in Japan have unfunded defined benefit retirement plans which provide the benefits to employees based on length of service (see note 36).

16. Dividends

The Company made the following distributions to its shareholders:

	2014		2013	
Dividends declared and paid/payable to its shareholders by:	**Dividend per share ¥**	**Total dividends ¥ million**	Dividend per share ¥	Total dividends ¥ million
The Company				
— Interim	**7.00**	**5,200**	5.75	4,271
— Final	**7.00**	**5,200**	7.25	5,386
		10,400		9,657

17. Earnings per Share

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

	2014 ¥ million	2013 ¥ million
Earnings for the purpose of calculating basic earnings per share	**21,328**	20,925
Issued ordinary shares at beginning of year/weighted average number of ordinary shares before sub-division and issue of new shares	**742,850,360**	31,542,518
Effect of sub-division of ordinary shares	**-**	599,307,842
Weighted average number of issue of new shares	**-**	73,030,137
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**742,850,360**	703,880,497

No diluted earnings per share were presented for the years ended 31 March 2014 and 2013 as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2014 and 2013.

18. Property, Plant and Equipment

	Freehold land	Buildings including leasehold improvements	Tools and equipment	Motor vehicles	Construction in progress	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Cost						
At 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 and 1 April 2013	28,340	122,342	75,855	55	128	226,720
Additions	4	4,008	4,934	79	451	9,476
Transfer	–	133	–	–	(133)	–
Acquisition of subsidiaries (Note 43)	613	665	242	5	5	1,530
Disposals/write off	–	(45)	(535)	–	–	(580)
Translation	5	(2)	(16)	–	–	(13)
At 31 March 2014	28,962	127,101	80,480	139	451	237,133
Accumulated depreciation and impairment						
At 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 and 1 April 2013	2,040	72,433	58,352	42	–	132,867
Charge for the year	–	5,335	4,884	15	–	10,234
(Reversal of impairment loss)/ impairment loss	32	(64)	(23)	–	–	(55)
Disposal/write off	–	(37)	(480)	–	–	(517)
Translation	–	–	(1)	–	–	(1)
At 31 March 2014	2,072	77,667	62,732	57	–	142,528
Carrying amount						
At 31 March 2014	26,890	49,434	17,748	82	451	94,605
At 31 March 2013	26,300	49,909	17,503	13	128	93,853

18. Property, Plant and Equipment (Continued)

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

	2014 ¥ million	2013 ¥ million
Japan	**26,854**	26,300
South Korea	**36**	–
	26,890	26,300

(b) At 31 March 2014, the carrying amount of tools and equipment and motor vehicles held by the Group under finance leases amounted to ¥1,656 million (2013: ¥2,309 million).

(c) At 31 March 2014, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to ¥27,239 million (2013: ¥28,076 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 of disposal and value in use.

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

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

	2014 %	2013 %
Discount rate	**10.8**	8.6

19. Investment Properties

	2014	2013
	¥ million	¥ million
At 1 April	**769**	1,027
Disposals	**–**	(248)
Fair value loss	**(24)**	(10)
At 31 March	**745**	769

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

	2014	2013
	¥ million	¥ million
In Japan		
Freehold	**321**	322
Medium-term lease	**424**	447
	745	769

The Group's investment properties were revalued at 31 March 2014 and 31 March 2013 on income approach or sales comparison approach by DTZ.

20. Intangible Assets

	Goodwill	Trademarks	Computer software	Total
	¥ million	¥ million	¥ million	¥ million
Cost				
At 1 April 2012	47	15	4,386	4,448
Additions	–	4	439	443
Write off	–	–	(421)	(421)
At 31 March 2013 and 1 April 2013	47	19	4,404	4,470
Additions	–	3	514	517
Acquisition of subsidiaries (Note 43)	10	1	28	39
Write off	–	–	(590)	(590)
At 31 March 2014	57	23	4,356	4,436
Accumulated amortisation and impairment				
At 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 and 1 April 2013	47	7	3,005	3,059
Amortisation for the year	–	2	531	533
Write off	–	–	(574)	(574)
Impairment loss	10	–	–	10
At 31 March 2014	57	9	2,962	3,028
Net book value				
At 31 March 2014	–	14	1,394	1,408
At 31 March 2013	–	12	1,399	1,411

20. Intangible Assets (Continued)

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

	2014 **¥ million**	2013 ¥ million
Operation of pachinko halls	**37**	37
Provision of office cleaning services	**8**	–
Sales of coffee beans	**2**	–
Trading of pachinko machines	**10**	10
	57	47
Less: Impairment loss	**(57)**	(47)
	–	–

21. Available-For-Sale Financial Assets

	2014 **¥ million**	2013 ¥ million
Equity securities at fair value, listed in Hong Kong	**14,490**	–
Equity securities at fair value, listed in Japan	**627**	611
Equity securities at cost, unlisted	**90**	90
Club membership at cost	**206**	5
	15,413	706

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

22. Held-To-Maturity Investment

Held-to-maturity investment comprises national bond issued by Japan government, carries fixed interest rate at 0.6% (2013: 1.0%) per annum, payable bi-annually and will mature in March 2023 (2013: June 2013).

23. Financial Assets at Fair Value through Profit or Loss

	2014 **¥ million**	2013 ¥ million
Equity securities at fair value, listed in Hong Kong	**3,875**	–

24. Other Long-Term Assets

	2014 **¥ million**	2013 ¥ million
Pre-paid rental expenses	**4,445**	4,736
Pre-paid insurance expenses	**90**	1
Pre-paid lender commitment fee	**315**	306
Rental deposits	**5,435**	5,322
Others	**212**	271
	10,497	10,636

25. Inventories

	2014 **¥ million**	2013 ¥ million
Operation of pachinko halls		
G-prize	**3,070**	2,154
General prize	**1,253**	891
Supplies	**850**	330
	5,173	3,375
Property development		
Properties held for future development and under development for sale	**821**	–
Catering and cleaning services		
Supplies	**85**	–
Others	**46**	–
	6,125	3,375

26. Trade Receivables

The Group's credit terms generally range from 30 to 60 days (2013: 30 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

As at 31 March 2014, an allowance was made for estimated irrecoverable trade receivables of ¥12 million (2013: Nil).

Reconciliation of allowance for trade receivables:

	2014 **¥ million**	2013 ¥ million
At 1 April	**–**	–
Allowance for the year	**12**	–
At 31 March	**12**	–

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

	2014 **¥ million**	2013 ¥ million
1 to 30 days	**546**	359
31 to 60 days	**17**	–
	563	359

No balances were past due during the year ended 31 March 2014 (2013: Nil)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2014 **¥ million**	2013 ¥ million
JPY	**478**	359
USD	**46**	–
Others	**39**	–
	563	359

27. Prepayments and Other Receivables

	2014 ¥ million	2013 ¥ million
Prepayments		
Construction material	71	–
Insurance	107	4
Lender commitment fee	351	427
Rental	1,990	1,671
Staff costs	9	1
Withholding tax receivables	2,161	3,060
Others	174	119
	4,863	5,282
Other receivables		
Consumption tax refundable	2	7
Income tax refundable	109	–
Others	168	48
	279	55
	5,142	5,337

28. 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	2014 ¥ million	2013 ¥ million
Business Partners	**–**	1
Dynam Holdings	**4**	5
Humap Japan	**–**	9
Pachinko Leasing	**–**	1
X-Golf Japan	**6**	5
	10	21

Notes:

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

	2014 ¥ million	2013 ¥ million
Business Partners	**1**	1
Dynam Holdings	**5**	5
Dynam Investment	**–**	1
Humap Japan	**22**	9
Genghis Khan	**1**	–
Pachinko Leasing	**1**	2
X-Golf Japan	**9**	10
P Insurance	**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 and X-Golf Japan.

29. Pledged Bank Deposits and Bank and Cash Balances

The Group's bank and cash balances are as follows:

	2014	2013
	¥ million	¥ million
Cash on hand	**5,031**	7,701
Cash at bank	**29,805**	33,765
	34,836	41,466
Pledged bank deposits	**(6)**	–
Cash and cash equivalents	**34,830**	41,466

The Group's pledged bank deposits represented deposits pledged to a bank to secure a construction project at Mongolia and are denominated in Mongolian Tughrik ("MNT").

As at 31 March 2014, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to ¥60 million (2013: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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

	2014	2013
	¥ million	¥ million
JPY	**26,883**	21,233
HKD	**3,637**	18,489
USD	**4,233**	1,744
Others	**77**	–
	34,830	41,466

30. Trade Payables

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

	2014 **¥ million**	2013 ¥ million
1 to 30 days	**1,697**	905
31 to 60 days	**1**	–
Over 60 days	**24**	–
	1,722	905

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2014 **¥ million**	2013 ¥ million
JPY	**1,708**	905
USD	**14**	–
	1,722	905

31. Accruals and Other Payables

	2014 **¥ million**	2013 ¥ million
Accrued interest expenses	**2**	2
Accrued staff costs	**8,251**	7,566
Advertisement and promotion payables	**422**	449
Unutilised balls and tokens	**2,730**	3,458
Halls construction and system payables	**3,743**	3,075
Other tax expenses (*)	**1,134**	1,246
Pachinko and pachislot machines payables	**1,971**	2,821
Rental receipt in advance	**74**	64
Others	**833**	695
	19,160	19,376

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

32. Derivative Financial Instruments

	2014	2013
	¥ million	¥ million
Interest rate swap contracts, at fair value	**130**	189
Less: Current portion	**(47)**	(57)
Non-current portion	**83**	132

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 Japanese Yen. At 31 March 2014, the total notional amount of the outstanding interest rate swap contracts to which the Group are committed is as follows:

	2014	2013
	¥ million	¥ million
Interest rate swap contracts	**4,093**	5,107

The fair value of the interest rate swap contracts as at 31 March 2014 and 2013 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.

33. Amounts Due to Related Companies

	2014	2013
Name	**¥ million**	¥ million
Business Partners	**–**	1
Dynam Investment	**–**	1
Genghis Khan	**–**	10
Humap Japan	**–**	440
	–	452

34. Borrowings

	2014	2013
	¥ million	¥ million
Secured bank loans	**2,222**	2,796
Secured syndicated loans	**2,102**	2,787
	4,324	5,583

The borrowings are repayable as follows:

	2014	2013
	¥ million	¥ million
On demand or within one year	**1,265**	1,258
In the second year	**1,001**	1,265
In the third to fifth years, inclusive	**1,608**	2,310
After five years	**450**	750
	4,324	5,583
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,265)**	(1,258)
Amount due for settlement after 12 months	**3,059**	4,325

Notes:

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

	2014	2013
	%	%
Bank loans	**1.8**	1.9
Syndicated loans	**1.8**	1.9

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

	2014	2013
	¥ million	¥ million
Property, plant and equipment	**27,239**	28,076

Corporate guarantee was given by the Company at 31 March 2014 and 2013 for the Group's borrowings.

(iii) All carrying amount of the borrowings at 31 March 2014 and 31 March 2013 is arranged at floating interest rate and expose the Group to cash flow interest rate risk.

35. Finance Leases

(a) finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	¥ million	¥ million	**¥ million**	¥ million
Within one year	**409**	–	**395**	–
In the second to fifth years, inclusive	**177**	–	**171**	–
	586	–	**566**	–
Less: Unearned finance income	**(20)**	–	**–**	–
Present value of minimum lease payments receivable	**566**	–	**566**	–
Less: Amount receivable within 12 months (shown under current assets)			**(395)**	–
Amount receivable after 12 months			**171**	–

As at 31 March 2014, an allowance was made for estimated irrecoverable finance lease receivables of ¥2 million (2013: Nil).

Reconciliation of allowance for finance lease receivables:

	2014	2013
	¥ million	¥ million
At 1 April	**–**	–
Allowance for the year	**2**	–
At 31 March	**2**	–

The Group provides financial leasing service in Japan and the finance lease receivables are denominated in JPY which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases ranged from 2.11% to 6.71% (2013: Nil) per annum.

Finance lease receivables are secured by the leased assets the title to which is normally retained by the Group for the duration of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the lessees have the options to purchase the leased equipments at nominal prices.

As of 31 March 2014, no finance lease receivables were past due but not impaired.

35. Finance Leases (Continued)

(b) finance lease payables

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	¥ million	¥ million	**¥ million**	¥ million
Within one year	**895**	1,291	**869**	1,223
In the second to fifth years, inclusive	**338**	1,151	**332**	1,120
	1,233	2,442	**1,201**	2,343
Less: Future finance charges	**(32)**	(99)	**–**	–
Present value of lease obligations	**1,201**	2,343	**1,201**	2,343
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(869)**	(1,223)
Amount due for settlement after 12 months			**332**	1,120

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 (2013: 5 years). The weighted average borrowing rate per annum at 31 March 2014 was 3.9% (2013: 3.9%). All finance lease payables are arranged at fixed rates thus expose the Group to fair value interest rate risk and no arrangements have been entered into for contingent rental payments.

36. Retirement Benefit Obligations

The Group's defined benefit retirement plans are the unfunded pension plans for full-time employees (2013: full-time employees and directors) upon retirement.

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

	2014	2013
	¥ million	¥ million
At 1 April	**1,869**	1,804
Amounts recognised in profit or loss:		
Current service cost	**202**	254
Interest cost	**31**	38
Losses on curtailments	**151**	–
Losses on settlements	**403**	–
Acquisition of subsidiaries (Note 43)	**60**	–
Benefit paid	**(114)**	(275)
Transfer to other liabilities upon the curtailment of defined benefit retirement plans	**(2,553)**	–
Transfer from Dynam Holdings	**6**	–
Actuarial losses	**8**	48
At 31 March	**63**	1,869

In connection with the curtailment of defined benefit retirement plans, losses on curtailments were incurred and settlement arrangements agreed with directors and employees, effective 1 October 2013 and 1 March 2014 respectively, which settled all retirement benefit plan obligations relating to the directors and employees.

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

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

	2014	2013
	¥ million	¥ million
Current service cost	**202**	254
Interest cost	**31**	38
Losses on curtailments	**151**	–
Losses on settlements	**403**	–
	787	292

36. Retirement Benefit Obligations (Continued)

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

	2014	2013
	¥ million	¥ million
Actuarial losses recognised	**8**	48

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

	2014	2013
	%	%
Discount rate	**0.7396**	1.8341
Future salary increases	**0.9700**	2.3700

The Group's sensitivity analysis for a significant actuarial assumption as of the end of the reporting period based on reasonably possible change of the relevant actuarial assumption is as follow:

	Increase/ decrease in rate	**Impact on defined benefit obligation 2014 ¥ million**
Discount rate	0.5%	**(2)/2**

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur. When calculating the sensitivity of the defined benefit obligation to the significant actuarial assumption the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated statement of financial position.

The method and type of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

36. Retirement Benefit Obligations (Continued)

(e) (Continued)

The weighted average duration of the Group's defined benefit obligation is 9.4 years (2013: 20.9 years). The maturity analysis of the Group's undiscounted benefit payments is as follows:

	Less than 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
At 31 March 2014					
Pension payments	**9**	**8**	**26**	**117**	**160**

37. Deferred Tax

	Property, plant and equipment ¥ million	Staff costs ¥ million	Unutilised balls and tokens ¥ million	Pre-paid rent ¥ million	Pachinko and pachislot machines ¥ million	Investment properties ¥ million	Others ¥ million	Total ¥ million
At 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 12)								
– 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 and 1 April 2013	(1,173)	2,669	-	1,188	6,310	27	913	9,934
Acquisition of subsidiaries (Note 43)	236	111	-	-	-	-	423	770
Credit/(charge) to equity for the year	-	3	-	-	-	-	(6)	(3)
Credit/(charge) to profit or loss for the year (Note 12)								
– origination and reversal of temporary differences	272	114	229	99	1,157	9	(234)	1,646
– effect of change in tax rate	(3)	(170)	(19)	-	(526)	-	(72)	(790)
At 31 March 2014	(668)	2,727	210	1,287	6,941	36	1,024	11,557

37. Deferred Tax (Continued)

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

	Hong Kong		Japan		Total	
	2014	2013	**2014**	2013	**2014**	2013
	¥ million	¥ million	**¥ million**	¥ million	**¥ million**	¥ million
Deferred tax assets	**–**	–	**12,605**	11,107	**12,605**	11,107
Deferred tax liabilities	**(380)**	–	**(668)**	(1,173)	**(1,048)**	(1,173)
	(380)	–	**11,937**	9,934	**11,557**	9,934

At 31 March 2014, the Group has unused tax losses of ¥152 million (2013: ¥556 million) from some of its subsidiaries available for offset against future profits in these subsidiaries respectively. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

As at 31 March 2014, the Group's tax losses will expire in the following years:

	2014	2013
	¥ million	¥ million
In 2015	**35**	–
In 2016	**12**	–
In 2017	**–**	17
In 2018	**45**	–
In 2019	**3**	62
In 2020	**–**	457
In 2021	**5**	–
In 2022	**37**	17
In 2023	**12**	–
In 2024	**3**	3
	152	556

38. Provisions

	Asset retirement obligation (note (i)) ¥ million	Staff vacation payable (note (ii)) ¥ million	Total ¥ million
At 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 and 1 April 2013	3,605	1,438	5,043
Acquisition of subsidiaries (Note 43)	–	121	121
Provision for the year	105	60	165
Changes in present value	77	–	77
At 31 March 2014	3,787	1,619	5,406

Analysed as:

	2014 ¥ million	2013 ¥ million
Current liabilities	**1,619**	1,438
Non-current liabilities	**3,787**	3,605
	5,406	5,043

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. Other Long-Term Liabilities

	2014 ¥ million	2013 ¥ million
Rental deposits received	**126**	131
Rental receipt in advance	**162**	174
Retirement benefit payables	**1,257**	–
	1,545	305

40. Share Capital

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

	Note	Number of ordinary shares	¥ million
Authorised:			
At 1 April 2012		126,000,000	–
Increase in authorised share capital	(i)	2,394,000,000	–
At 31 March 2013, 1 April 2013 and 31 March 2014		2,520,000,000	–
Issued and fully paid:			
At 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, 1 April 2013 and 31 March 2014		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 initial public offering, 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 remained unchanged during the year.

(iv) 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.

(v) As at 31 March 2014, the covenants relating to the Group's borrowings from financial institutions have fulfilled.

(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. Based on the information publicly available to the Company and to the best of the Board's knowledge, the Company has maintained the percentage of public float as accepted by the Stock Exchange during the period from 1 April 2013 to 31 March 2014.

41. Statement of Financial Position of the Company

	Note	2014 ¥ million	2013 ¥ million
Investments in subsidiaries		**63,640**	59,742
Due from subsidiaries — non-current portion		**-**	640
Other non-current assets		**682**	687
Due from subsidiaries — current portion	(i)	**17,902**	6,396
Other current assets		**15,162**	20,662
Due to subsidiaries — current portion	(ii)	**(11,626)**	(2,843)
Current tax liabilities		**(736)**	(559)
Other current liabilities		**(217)**	(269)
Other non-current liabilities		**(159)**	(106)
		84,648	84,350
Share capital		**15,000**	15,000
Reserves		**69,648**	69,350
TOTAL EQUITY		**84,648**	84,350

Notes:

(i) Due from subsidiaries — current portion

(a) Included in the current portion of the amounts due from subsidiaries was an amount of ¥17,902 million (2013: ¥6,270 million) which is unsecured, interest bearing at fixed interest rates of 12-month TIBOR plus 1% per annum at contract dates, thus exposing the Company to fair value interest rate risk and is repayable at the specific dates.

(b) An amount of ¥121 million included in the current portion of the amounts due from subsidiaries as at 31 March 2013 is unsecured, interest bearing at a fixed interest rate of 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 as at 31 March 2013 represents non-interest bearing balance and is trade in nature.

(ii) Due to subsidiaries — current portion

(a) Included in the current portion of the amounts due to subsidiaries was an amount of ¥11,626 million (2013: ¥2,828 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) The remaining current portion of the amounts due to subsidiaries as at 31 March 2013 represents non-interest bearing balance and is trade in nature.

42. Reserves

(a) Group

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

(b) Company

	Capital surplus (Note 42(c)(iii))	Other capital surplus (Note 42 (c)(v))	Other reserves (Note 42(c)(vi))	Retained profits	Proposed dividend	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
At 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 and 1 April 2013	6,477	48,271	(2)	9,218	5,386	69,350
Total comprehensive income for the year	–	–	–	10,884	–	10,884
Transfer upon the curtailment of defined benefit plans	–	–	2	(2)	–	–
2013 final dividend paid	–	–	–	–	(5,386)	(5,386)
2014 interim dividend paid	–	–	–	(5,200)	–	(5,200)
2014 proposed final dividend	–	–	–	(5,200)	5,200	–
At 31 March 2014	6,477	48,271	–	9,700	5,200	69,648

(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)(iii) 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.

42. Reserves (Continued)

(c) Nature and purpose of reserves (Continued)

(iii) Capital surplus

Under the Companies Act, 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.

(iv) Legal reserve

The Companies Act 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 Companies Act, 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.

43. Notes to the Consolidated Statement of Cash Flows

Acquisition of subsidiaries

(a) *Rich-O Korea*

On 5 April 2013, the Group acquired 100% of the equity interest of Rich-O Korea for a cash consideration of South Korean WON ("KRW") 106,623,000 (equivalent to approximately ¥9 million). Rich-O Korea was principally engaged in trading of LCD monitors and provision of after-sales services in respect of LCD monitors during the year. In addition, it is currently expected that Rich-O Korea will be engaged in manufacturing and sale of virtual pachinko machines in Asia.

(b) *Erin International*

On 1 May 2013, the Group acquired 87.61% of the equity interest of Erin International for a cash consideration of MNT4,400,207,741 (equivalent to approximately ¥297 million). Erin International was 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 during the year.

(c) *Beijing GEO*

On 1 May 2013, the Group acquired 100% of the equity interest of Beijing GEO for a cash consideration of RMB8,711,000 (equivalent to approximately ¥136 million). Beijing GEO was principally engaged in roasting and sales of coffee beans during the year.

(d) *Humap Japan along with its two subsidiaries Genghis Khan and P Insurance ("Humap Japan Group")*

On 1 October 2013, the Group acquired 100% of the equity interest of Humap Japan Group for a cash consideration of ¥3,792,000,000. The principal activities of Humap Japan Group are operation of restaurants in pachinko halls, travel and insurance agencies.

(e) *Business Partners*

On 1 October 2013, the Group acquired 100% of the equity interest of Business Partners for a cash consideration of ¥38,000,000. Business Partners was principally engaged in (i) the provision of cleaning services; and (ii) the manufacture and sales of household supplies during the year.

43. Notes to the Consolidated Statement of Cash Flows (Continued)

Acquisition of subsidiaries (Continued)

The fair values of the identifiable assets and liabilities of the subsidiaries acquired as at their dates of acquisition, which have no significant difference from their carrying amount, are as follows:

Net assets acquired

	Rich-O Korea (Note a) ¥ million	Erin International (Note b) ¥ million	Beijing GEO (Note c) ¥ million	Humap Japan Group (Note d) ¥ million	Business Partners (Note e) ¥ million	Total ¥ million
Property, plant and equipment	61	108	81	1,280	–	1,530
Intangible assets	–	–	–	29	–	29
Finance lease receivables	–	–	–	673	–	673
Deferred tax assets	–	–	–	770	–	770
Other long-term assets	–	–	–	133	–	133
Inventories	–	27	57	12	6	102
Trade receivables	–	103	16	796	4	919
Prepayments and other receivables	–	114	22	205	–	341
Pledged bank deposits	–	7	–	–	–	7
Cash and cash equivalents	3	105	28	1,726	32	1,894
Trade payables	–	(1)	(62)	(100)	–	(163)
Accruals and other payables	–	(20)	(8)	(823)	(8)	(859)
Amounts due to related companies	(47)	(80)	–	–	–	(127)
Borrowings	(7)	–	–	–	–	(7)
Retirement benefit obligations	–	–	–	(56)	(4)	(60)
Provisions	–	–	–	(121)	–	(121)
	10	363	134	4,524	30	5,061
Non-controlling interests	–	(45)	–	–	–	(45)
	10	318	134	4,524	30	5,016
Gain on bargain purchases	(1)	(21)	–	(732)	–	(754)
Goodwill (included in intangible assets)	–	–	2	–	8	10
Satisfied by:						
Cash	9	297	136	3,792	38	4,272
Net cash outflow arising on acquisition:						
Cash consideration paid	9	297	136	3,792	38	4,272
Cash and cash equivalents acquired	(3)	(105)	(28)	(1,726)	(32)	(1,894)
	6	192	108	2,066	6	2,378

The gain on bargain purchases are attributable to the Group's ability in negotiating the agreed terms of the transactions with the vendors.

This acquisition of subsidiaries above decreased profit for the year of the Group for the period between the dates of acquisition and the end of the reporting period by ¥156 million.

44. Investments in Subsidiaries

Particulars of the subsidiaries as at 31 March 2014 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
			2014	2013	
Directly held					
Dynam	Japan 25 July 1967	¥5,000,000,000	**100%**	100%	Operation of pachinko halls
Cabin Plaza	Japan 25 May 1988	¥10,000,000	**100%**	100%	Operation of pachinko halls
Daikokuten	Japan 12 March 1977	¥95,000,000	**-**	100%	Operation of pachinko halls
Okuwa Japan	Japan 3 July 1996	¥200,000,000	**-**	100%	Operation of pachinko halls
Dynam Business Support	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%	Provision of accounting and administrative services
Dynam P Trading	Japan 1 July 2010	¥30,000,000	**-**	100%	Trading and sourcing of pachinko machines
Dynam Advertisement	Japan 1 July 2010	¥30,000,000	**-**	100%	Provision of advertising and marketing services
Shinrainomori Association (Note (i))	Japan 3 December 2008	–	**100%**	100%	Supporting arm of a franchise chain under Shinrainomori to undertake non-profit brand-building activities
Dynam Hong Kong	Hong Kong 7 January 2013	HK$300,000,000	**100%**	100%	Investment holding
Humap Japan	Japan 1 November 1982	¥100,000,000	**100%**	–	Operation of restaurants

44. Investments in Subsidiaries (Continued)

Particulars of the subsidiaries as at 31 March 2014 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
			2014	2013	
Business Partners	Japan 11 January 2011	¥30,000,000	**100%**	–	Office cleaning services
Kanto Daido	Japan 22 January 1992	¥50,000,000	**100%**	100%	Trading of pachinko machines
Shinrainomori	Japan 3 December 2008	¥10,000,000	**100%**	100%	Franchise chain operation
Rich-O Korea	South Korea 27 February 2006	KRW675,000,000	**100%**	–	Trading of LCD monitors
Erin International	Mongolia 30 May 2003	MNT3,254,222,125	**87.61%**	–	Operation of international freight forwarding services and contracting services for construction works, property transactions and management services
Beijing GEO (Note (ii))	PRC 4 August 2004	USD4,460,000	**100%**	–	Sales of coffee beans
Genghis Khan	Japan 13 November 2003	¥47,000,000	**100%**	–	Travel agency
P Insurance	Japan 28 January 2005	¥10,000,000	**100%**	–	Insurance agency

Notes:

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

(ii) Beijing GEO is a wholly-owned foreign enterprise established in the PRC.

45. Material Non-Cash Transactions

Additions to property, plant and equipment of ¥79 million for the year ended 31 March 2014 were financed by finance leases (2013: ¥1 million).

46. Contingent Liabilities

At 31 March 2014, the Group did not have any significant contingent liabilities (2013: Nil).

47. Capital Commitments

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

	2014	2013
	¥ million	¥ million
Contracted but not provided for	**1,221**	132
Approved but not contracted for	**10,986**	4,345
	12,207	4,477

48. Lease Commitments

(i) Lessee

At 31 March 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014	2013
	¥ million	¥ million
Within one year	**1,400**	1,378
In the second to fifth years, inclusive	**1,870**	1,870
After five years	**939**	166
	4,209	3,414

The Group leases certain land and buildings under operating leases. The leases typically run for an initial average period of 20 years (2013: 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.

48. Lease Commitments (Continued)

(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:

	2014 ¥ million	2013 ¥ million
Within one year	–	169
In the second to fifth years, inclusive	–	662
After five years	–	919
	–	1,750

49. Related Party Transactions

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

Related company	Type of transaction	2014 ¥ million	2013 ¥ million
Dynam Holdings	Accounting service income	2	–
	Messing and staff welfare expenses	–	▲
	Miscellaneous income	▲	–
	Rental income	3	–
	System usage income	▲	–
	Travel agency income	1	–
	Others	▲	–
Genghis Khan	Messing and staff welfare expenses	44	90
	Recruitment and training expenses	8	11
	Travel agency charges	3	5
Pachinko Leasing	Others	–	4
P Insurance	Messing and staff welfare expenses	2	5

49. Related Party Transactions (Continued)

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

Related company	Type of transaction	2014 ¥ million	2013 ¥ million
Humap Japan	Hall cleaning and ancillary services	**2,257**	4,366
	Interest expense	**1**	–
	Messing and staff welfare expenses	**17**	27
	Miscellaneous income	**11**	21
	Purchase of coffee products	**28**	–
	Rental income	**88**	168
	Rental expense	**27**	–
	Repair and maintenance fee	**12**	10
	Royalty from coffee wagon license	**17**	32
	Royalty from vending machine license	**20**	36
	Staff cafeteria services	**35**	71
	Supply of general prize	**201**	468
	Utilities charges	**73**	143
Dynam Investment	Miscellaneous income	**–**	▲
	Rental income	**–**	8
	Rental expense	**–**	54
	Others	**–**	10
Business Partners	Office cleaning and ancillary services	**7**	14
	Rental income	**2**	4
X- Golf Japan	Accounting service income	**3**	–
	Fees (including rental charges, property management fee and utilities)	**25**	25
	Miscellaneous income	**▲**	–
	Rental income	**4**	
	System usage income	**1**	–
	Travel agency income	**▲**	–
One Asia Foundation (Hong Kong) Co., Limited	Rental income	**▲**	–

49. Related Party Transactions (Continued)

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

Related company	Type of transaction	2014 ¥ million	2013 ¥ million
One Asia	Accounting service income	▲	–
	Rental income	2	–
X-Golf International Co., Ltd.	Accounting service income	▲	–
	System usage income	▲	–
	Travel agency income	▲	–

Notes:

(i) Mr. Yoji Sato is interested in the above transactions to the extent he is a founder of One Asia Foundation (Hong Kong) Co., Limited and One Asia and is a beneficial shareholder of Dynam Holdings.

(ii) Except for One Asia Foundation (Hong Kong) Co., Limited and One Asia, Mr. Kohei Sato is interested in the above transactions to the extent that he is a beneficial shareholder of Dynam Holdings.

(iii) The above transactions occurred before the Group acquired the equity interest of Humap Japan Group and Business Partners as disclosed in note 43 to the financial statements.

(iv) On 1 April 2013, Humap Japan has effected an absorption-type merger of Pachinko Leasing and Dynam Investment. Upon the completion of merger, all transactions between Pachinko Leasing and Dynam Investment were recognised in the books of Humap Japan.

▲ Less than ¥0.5 million.

50. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of directors on 29 May 2014.

Definitions

In this Annual Report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"AGM"	annual Shareholders' general meeting of the Company
"Articles of Incorporation"	the articles of incorporation of the Company, as amended and supplemented from time to time
"Beijing GEO"	Beijing GEO Coffee Co., Ltd.* (北京吉意歐咖啡有限公司), a company incorporated in the PRC on 4 August 2004 (registration number 0154966). Beijing GEO is held as to 100% by the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Partners"	Business Partners Co., Ltd.* (株式会社ビジネスパートナーズ), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 11 January 2011 (registration number 0118-01-024446). Business Partners is a wholly-owned subsidiary of the Company
"Cabin Plaza"	Cabin Plaza Co., Ltd.* (株式会社キャビンプラザ), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act (registration number 3800-01-019664) on 25 May 1988. Cabin Plaza was acquired by Dynam Holdings on 1 April 2009 and is a wholly-owned subsidiary of the Company
"CCASS"	Central Clearing and Settlement System ("CCASS") established and operated by Hong Kong Securities Clearing Company Limited
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act"	the Companies Act of Japan* (kaisha hou 会社法) (Act No. 86 of 2005, as amended)
"Company", "our", "we", or "us"	DYNAM JAPAN HOLDINGS Co., Ltd.* (株式会社ダイナムジャパンホールディングス), a stock company (kabushikigaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 20 September 2011 (registration number 0115-01-017114), or where the context requires, the Company and its subsidiaries collectively

Definitions

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of this report, means the controlling Shareholders of our Company, namely Mr. Yoji SATO, Rich-O, and each of the Sato Family Members
"cornerstone investor"	an institutional investor who purchases shares of an issuer as a core investor prior to the public offering in connection with the listing of such shares
"Director(s)"	the director(s) of the Company
"Dynam"	DYNAM Co., Ltd.* (株式会社ダイナム), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 25 July 1967 (registration number 0115-01-007357). Dynam is a wholly-owned subsidiary of the Company
"Dynam Business Support"	Dynam Business Support Co., Ltd.* (株式会社ダイナムビジネスサポート), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 1 April 2013 (registration number 0115-01-010575). Dynam Business Support is a wholly-owned subsidiary of the Company and a service provider that support our pachinko hall operation in the Group
"DYNAM Group" or "Group"	the Company and its subsidiaries at the relevant point in time (including, where the context requires, in respect of the period before the Company became the holding company of its present subsidiaries)
"Dynam Holdings"	DYNAM Holdings Co., Ltd.* (株式会社ダイナムホールデイングス), a stock company incorporated in Japan with a limited liability on 15 December 1987 under the Companies Act (registration number 0115-01-010630)
"Dynam Hong Kong"	Dynam Hong Kong Co., Ltd., a company incorporated in Hong Kong with a limited liability on 7 January 2013 (registration number 1848306). Dynam Hong Kong is a wholly-owned subsidiary of the Company
"Dynam Investment"	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 was absorbed into Humap Japan through an absorption-type merger on 1 April 2013

"Erin International"	Erin International Co., Ltd., a company incorporated in Mongolia with limited liability on 30 May 2003 (registration number 9019015133). As at the date of this Annual Report, Erin International is held as to 87.61% by the Company in number of shares
"Erin Town" or "Erin Town Project"	the construction project conducted by Erin International to build the apartments compound and business service building in Ulaanbaatar, Mongolia. The housing compound is included to the middle term mission of Mongolian Parliament programme named 'New Constructive'. The Erin Town project is planned to provide total housing solutions with 12 floors buildings, comfortable surroundings with car parking, pedestrian roads and lawns as at the date of this Annual Report
"GEM Board"	the Growth Enterprise Market of the stock exchange (excluding the option market) operated by the Stock Exchange which is independent of and operated in parallel with the Main Board of the Stock Exchange
"general prize"	any prize offered by a pachinko hall that is not a G-prize
"Genghis Khan"	Genghis Khan Travel Co., Ltd.* (株式会社チンギスハーン旅行), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 13 November 2003 (registration number 0115-01-010593). Genghis Khan is a wholly-owned subsidiary of the Company
"GIA/GIF Law"	the General Incorporated Associations and General Incorporated Foundations Law of Japan* (ippan shadan houjin oyobi ippan zaidan houjin nikansuru houritsu 一般社団法人及び一般財団法人に関する法律) (Act No. 48 of 2006, as amended)
"G-prize"	a decorative plastic card with a small embedded piece of gold or silver or a small coin-shaped pendant of gold or silver
"G-prize mark-up"	the excess of the monetary value of the number of pachinko balls or pachislot tokens required to collect a G-prize over the cost of the G-prize paid by the hall operator
"gross pay-ins"	the amount received from pachinko balls and pachislot tokens rented to customers less unutilised balls and tokens
"gross payouts"	the aggregate cost of G-prizes and general prizes exchanged by customers for pachinko balls or pachislot tokens collected

Definitions

"high playing cost machines"	pachinko machines with a playing cost of 4-yen per pachinko ball and pachislot machines with a playing cost of 20-yen per pachislot token
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Humap Japan"	HUMAP Japan Co., Ltd.* (株式会社日本ヒユウマツプ), 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). On 1 April 2013, Humap Japan has effected an absorption-type merger of Pachinko Leasing and Dynam Investment. Humap Japan is a wholly-owned subsidiary of the Company
"IC card" or "pre-paid IC card"	a card purchased by pachinko hall customers to store cash value, which can be used to rent pachinko balls or pachislot tokens
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
"IGG"	IGG Inc, a company incorporated in Singapore and engages in the development of online game software, and the operation of online games. IGG shares are listed on the GEM Board of the Stock Exchange (Stock Code: 08002). The Company invested US$15 million in the initial public offering of IGG in October 2013 as a cornerstone investor through our wholly-owned subsidiary Dynam Hong Kong
"Japan Productivity Center"	a non-profit organization (NPO) and nongovernmental organization (NGO) established in 1955 to promote the productivity in Japan's industrial society and in improving the quality of people's lives
"Kanto Daido"	Kanto Daido Selling Co., Ltd.* (株式会社関東大同販売), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 22 January 1992 (registration number 0105-01-002705). Kanto Daido is a wholly-owned subsidiary of the Company
"Leisure White Paper"	Research report on leisure industry and its market trend published by Japan Productivity Center

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"low playing cost machines"	pachinko machines with playing costs of 0.5-yen, 1-yen, 1.25-yen, 2-yen and 2.5-yen per pachinko ball and pachislot machines with playing costs of 5-yen, 6.25-yen and 10-yen per pachislot token
"Macau"	The Macau Special Administrative Region of the PRC
"Macau Legend"	Macau Legend Development Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 01680). In June 2013, the Company concluded a letter of intent to underwrite the US$35 million for the initial public offering by Macau Legend as a cornerstone investor through our wholly-owned subsidiary Dynam Hong Kong and in in January 2014, the Company added an additional investment of US$50 million for a total of US$85 million
"machine utilisation"	the number of pachinko balls/pachislot tokens played per machine per day
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent of and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"One Asia"	One Asia Foundation* (一般財団法人ワンアジア財団), a general incorporated foundation (ippan zaidan houjin 一般財団法人) established in Japan under the GIA/GIF Law on 21 December 2009 (registration number 0115-05-01395) and a substantial Shareholder. As at the date of this Annual Report, One Asia was interested in 80,000,000 Shares, representing approximately 10.8% of our entire issued share capital
"online game"	the gaming technology that is run by connecting players to play games over a computer network
"outside Director"	outside directors (shagai torishimariyaku 社外取締役) of the Company. Our independent non-executive Directors were appointed as outside Directors on the date of the incorporation of the Company. Outside directors (shagai torishimariyaku 社外取締役) has a different meaning under the Companies Act when compared with the meaning of "independent non-executive director" under the Listing Rules. 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

Definitions

"pachinko balls" or "balls"	small metal balls used to play pachinko games
"Pachinko Chain Stores Association" or "PCSA"	Pachinko Chain Stores Association* (パチンコ・チェーンストア協会), a leading industry organization in the pachinko industry of Japan, promoting pachinko as a mean of entertainment and leisure among the general public in Japan
"Pachinko Leasing"	Pachinko Leasing Co. Ltd* (株式会社パチンコリース), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 31 October 2003 (registration number 0115-01-010574). Pachinko Leasing was absorbed into Humap Japan through an absorption-type merger on 1 April 2013.
"pachislot tokens" or "tokens"	small metal tokens used to play pachislot games
"PCSA Challenge Book 2014"	an industry guide book and activity report of the member companies of PCSA published by the Pachinko Chain Stores Association every year
"Personal System"	a system technology which records the number of pachinko balls and pachislot tokens earned onto a card
"P Insurance"	P Insurance Co., Ltd.* (株式会社ピーインシユアランス), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 28 January 2005 (registration number 0115-01-013256). P Insurance is a wholly-owned subsidiary of the Company
"PRC"	The People's Republic of China, excluding, for the purpose of this Annual Report, Hong Kong, Macau and Taiwan
"Rich-O"	Rich-O Co., Ltd.* (リツチオ株式会社), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability on 1 August 2006 under the Companies Act (registration number 0115-01-011944)
"Rich-O Korea"	Rich-O Korea Co., Ltd.* (株式会社リッチオコリア), a company incorporated with limited liability in South Korea on 27 February 2006 (registration number 110111-3408732). Rich-O Korea is held as to 100% by the Company

"Sato Family Member(s)"	The Sato Family Members are Mrs. Keiko SATO (佐藤恵子), Mrs. Yaeko NISHIWAKI (西脇八重子), Mr. Masahiro SATO (佐藤政洋), Mr. Shigehiro SATO (佐藤茂洋), Mr. Kohei SATO (佐藤公平) and Mr. Kiyotaka SATO (佐藤清隆) or any one of them, each being a family member of and an associate of Mr. Yoji SATO. Each of the Sato Family Members is a Controlling Shareholder
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shinrainomori"	Shinrainomori Co., Ltd.* (株式会社信頼の森), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 3 December 2008 (registration number 0115-01-014420). Shinrainomori is a wholly-owned subsidiary of the Company
"*Shinrai no Mori*" (信頼の森)	our pachinko hall brand and hall type featuring primarily low playing cost games in a non-smoking environment with reduced noise levels, space for players to relax and socialise, and a larger selection of general prizes
"Shinrainomori Association"	General Incorporated Association Shinrainomori* (一般社団法人信頼の森), a general incorporated association (ippan shadan houjin 一般社団法人) established in Japan on 3 December 2008 under the Companies Act (registration number 0115-05-001319). Shinarainomori Association is a subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial Shareholders"	has the meaning ascribed to it under the Listing Rules
"*Traditional*"	our pachinko hall type featuring primarily high playing cost games in a traditional hall environment that allows smoking
"X-Golf Japan"	X-GOLF JAPAN Co., Ltd.* (株式会社X-GOLF JAPAN), a stock company (kabushiki-gaisha 株式会社) incorporated in Japan with limited liability under the Companies Act on 1 June 2011 (registration number 0115-01-016810). X-Golf Japan is a wholly-owned subsidiary of Dynam Holdings

Definitions

"*Yuttari Kan*" (ゆったり館)	our pachinko hall brand and hall type featuring primarily low playing cost games in a Yuttari Kan hall environment that allows smoking, and a larger selection of general prizes

Note: Translated English names of Japanese natural persons, legal persons, government authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purpose only.

* *For identification purpose only*

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