The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

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24 July 2012

The Board of Directors
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.*
Shenyin Wanguo Capital (H.K.) Limited
Piper Jaffray Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 株式会社ダイナムジャパンホールディングス DYNAM JAPAN HOLDINGS Co., Ltd.* (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2012 (the "Track Record Period") for inclusion in the prospectus dated 24 July 2012 issued by the Company (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of the Hong Kong Public Offering and the International Placing.

The Company was incorporated in Japan on 20 September 2011. Through a group reorganisation as more fully explained in the paragraph headed "Reorganisation" in Appendix V to the Prospectus (the "Reorganisation"), the Company has become the holding company of the Group since 1 December 2011.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 20 to the Financial Information.

All the companies now comprising the Group have adopted 31 March as the financial year end date. We acted as auditor of all the companies now comprising the Group for the Track Record Period except as disclosed below.

The statutory audited financial statements of the Company, 株式会社ダイナム DYNAM Co., Ltd.* ("Dynam") and 株式会社ダイナム土地建物 Dynam Land & Building Co., Ltd.* ("Dynam Land & Building") have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in Japan and were audited by the following certified public accountants registered in Japan.

Name of company	Financial year	Name of auditor
The Company.	Year ended 31 March 2012	Seiwa Audit Corporation and Shimbashi & Co.
Dynam.	Years ended 31 March 2010 and 2011 Year ended 31 March 2012	Shimbashi & Co. Seiwa Audit Corporation and Shimbashi & Co.
Dynam Land & Building.	Years ended 31 March 2011 and 2012	Shimbashi & Co.

* *For identification purpose only*

No audited financial statements of the Company have been prepared for the years ended 31 March 2010 and 2011 since the Company was incorporated on 20 September 2011.

No audited financial statements of Dynam Land & Building have been prepared for the year ended 31 March 2010 as there are no statutory audit requirements in the respective place of incorporation.

No audited financial statements of the following companies have been prepared for the Track Record Period as there are no statutory audit requirements in the respective place of incorporation.

Name of the company

株式会社キャビンプラザ Cabin Plaza Co., Ltd.* ("Cabin Plaza")

大黒天株式会社 Daikokuten Co., Ltd.* ("Daikokuten")

株式会社オークワジャパン Okuwa Japan Co., Ltd.* ("Okuwa Japan")

株式会社ダイナム情報処理 DYNAM Data Processing Co., Ltd.* ("Dynam Data Processing")

株式会社ダイナムPトレーディング Dynam P Trading Co., Ltd.* ("Dynam P Trading")

株式会社ダイナムアド企画 Dynam Advertisement Planning Co., Ltd.* ("Dynam Advertisement")

株式会社関東大同販売 Kanto Daido Selling Co., Ltd.* ("Kanto Daido")

株式会社信頼の森 Shinrainomori Co., Ltd.* ("Shinrainomori")

一般社団法人信頼の森 General Incorporated Association Shinrainomori* ("Shinrainomori Association")

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IFRS Financial Statements").

We have performed our independent audit on the IFRS Financial Statements in accordance with International Standards on Auditing issued by the International Federation of Accountants ("IFAC") and have examined the IFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared from the IFRS Financial Statements in accordance with IFRSs and on the basis of preparation set out in note 2 to the Financial Information. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Prospectus.

The Directors are responsible for the preparation of the IFRS Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the IFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 to the Financial Information, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the Group as at 31 March 2010, 2011 and 2012 and of the Group's results and cash flows for the Track Record Period.

FINANCIAL INFORMATION

A. Combined income statements

	Note	Year ended 31 March 2010	2011	2012
		¥ million	*¥ million*	*¥ million*
Revenue	7	165,461	169,637	165,078
Other income	8	6,898	6,962	6,572
Hall operating expenses	9	(134,787)	(144,239)	(138,785)
General and administrative expenses		(642)	(934)	(1,754)
Other operating expenses		(1,188)	(813)	(874)
Profit from operations		35,742	30,613	30,237
Finance costs	10	(2,442)	(2,137)	(1,833)
Profit before tax		33,300	28,476	28,404
Income tax expenses	11	(13,086)	(12,285)	(12,506)
Profit for the year attributable to owners of the Company	12	20,214	16,191	15,898
Earnings per share	16			
Basic (¥)		32.0	25.7	25.2
Diluted (¥)		N/A	N/A	N/A

B. Combined statements of comprehensive income

	Note	Year ended 31 March		
		2010	2011	2012
		¥ million	*¥ million*	*¥ million*
Profit for the year		20,214	16,191	15,898
Other comprehensive income:				
Fair value changes of available-for-sale financial assets		2	(30)	(10)
— Income tax arising from fair value changes thereof		(1)	12	3
Actuarial gains/(losses) on defined benefit retirement plans	38(d)	54	222	(194)
— Income tax arising from actuarial gains/(losses) thereof		(22)	(89)	82
Revaluation gain of freehold land upon reclassification from property, plant and equipment to investment properties		—	—	5
— Income tax arising from revaluation gain thereof		—	—	(2)
Other comprehensive income for the year, net of tax		33	115	(116)
Total comprehensive income for the year attributable to owners of the Company		20,247	16,306	15,782

C. Combined statements of financial position

	Note	At 31 March 2010	2011	2012
		¥ million	¥ million	¥ million
Non-current assets				
Property, plant and equipment	17	101,191	98,004	95,033
Investment properties	18	999	982	1,027
Intangible assets	19	1,775	1,678	1,489
Available-for-sale financial assets	21	5,093	5,357	509
Held-to-maturity investment	23	10	10	10
Deferred tax assets	39	12,572	11,549	10,864
Other long-term assets	24	11,750	11,426	10,658
Amount due from a related company	28(b)	—	2,800	—
Fixed bank deposits	29	597	355	—
		133,987	132,161	119,590
Current assets				
Inventories	25	5,981	4,747	4,531
Trade receivables	26	374	352	381
Prepayments, deposits and other receivables	27	2,948	2,321	3,415
Financial assets at fair value through profit or loss	22	377	—	—
Amounts due from related companies	28(a)	517	8,998	20
Fixed bank deposits	29	687	888	—
Bank and cash balances	30	22,087	17,460	28,524
		32,971	34,766	36,871
Current liabilities				
Trade payables	31	1,459	1,232	1,148
Accruals and other payables	32	19,329	17,600	21,090
Derivative financial instruments	33	272	200	62
Amounts due to related companies	34(a)	2,513	896	443
Borrowings	35	26,335	15,439	1,654
Finance lease payables	37	1,932	1,373	1,187
Provisions	41	1,309	1,318	1,460
Current tax liabilities		2,598	6,962	6,340
		55,747	45,020	33,384
Net current (liabilities)/assets		(22,776)	(10,254)	3,487
Total assets less current liabilities		111,211	121,907	123,077

	Note	At 31 March 2010	2011	2012
		¥ million	*¥ million*	*¥ million*
Non-current liabilities				
Derivative financial instruments	33	234	181	134
Amount due to a related company	34(b)	2,900	5,580	—
Borrowings	35	27,934	22,578	21,583
Finance lease payables	37	3,277	3,074	2,331
Retirement benefit obligations	38	1,502	1,462	1,804
Other long-term liabilities	40	371	347	338
Provisions	41	3,064	3,315	3,413
		39,282	36,537	29,603
NET ASSETS		71,929	85,370	93,474
Capital and reserves				
Share capital	42	5,540	6,100	5,000
Reserves	43	66,389	79,270	88,474
TOTAL EQUITY		71,929	85,370	93,474

D. Statement of financial position of the Company

	Note	At 31 March 2012
		¥ million
Non-current assets		
Property, plant and equipment	17	371
Intangible assets	19	9
Interests in subsidiaries	20	54,071
Amounts due from subsidiaries	20(b)	5,309
Other long-term assets	24	4
		59,764
Current assets		
Amounts due from subsidiaries	20(b)	186
Prepayments, deposits and other receivables	27	958
Amount due from a related company	28(a)	2
Bank and cash balances	30	2,167
		3,313
Current liabilities		
Accruals and other payables	32	123
Provisions	41	4
Amounts due to subsidiaries	20(c)	3,241
Financial guarantee liabilities	45	307
		3,675
Net current liabilities		(362)
Total assets less current liabilities		59,402
Non-current liabilities		
Amount due to a subsidiary	20(d)	2,800
Retirement benefit obligations	38	11
Deferred tax liabilities	39	237
		3,048
NET ASSETS		56,354
Capital and reserves		
Share capital	42	5,000
Reserves	43(b)	51,354
TOTAL EQUITY		56,354

E. Combined statements of changes in equity

	Attributable to owners of the Company									
	Share capital	Investment revaluation reserve (Note 43(b)(i))	Capital reserve (Note 43(b)(ii))	Capital surplus (Note 43(b)(iii))	Legal reserve (Note 43(b)(iv))	Other capital surplus (Note 43(b)(v))	Other reserves (Note 43(b)(vi))	Retained profits	Proposed dividend	Total equity
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*
At 1 April 2009	5,040	10	30	40	523	–	4	49,047	1,650	56,344
Total comprehensive income for the year	–	1	–	–	–	–	32	20,214	–	20,247
Increase due to acquisition of subsidiaries	–	–	1,350	–	–	–	–	–	–	1,350
Increase in share capital of subsidiaries	500	–	230	500	–	–	–	–	–	1,230
2009 final dividend paid	–	–	–	–	–	–	–	–	(1,650)	(1,650)
2010 interim dividend paid	–	–	–	–	–	–	–	(5,592)	–	(5,592)
2010 proposed final dividend	–	–	–	–	–	–	–	(1,653)	1,653	–
Transfer	–	–	–	–	717	–	–	(717)	–	–
Total changes in equity for the year	500	1	1,580	500	717	–	32	12,252	3	15,585
At 31 March 2010 and 1 April 2010	5,540	11	1,610	540	1,240	–	36	61,299	1,653	71,929
Total comprehensive income for the year	–	(18)	–	–	–	–	133	16,191	–	16,306
Increase due to incorporation of subsidiaries	60	–	–	–	–	–	–	–	–	60
Increase due to acquisition of a subsidiary	–	–	30	–	–	–	–	–	–	30
Increase in share capital of subsidiaries	500	–	340	500	–	–	–	–	–	1,340
2010 final dividend paid	–	–	–	–	–	–	–	–	(1,653)	(1,653)
2011 interim dividend paid	–	–	–	–	–	–	–	(2,642)	–	(2,642)
2011 proposed final dividend	–	–	–	–	–	–	–	(1,670)	1,670	–
Transfer	–	–	–	–	17	–	–	(17)	–	–
Total changes in equity for the year	560	(18)	370	500	17	–	133	11,862	17	13,441
At 31 March 2011 and 1 April 2011	6,100	(7)	1,980	1,040	1,257	–	169	73,161	1,670	85,370
Total comprehensive income for the year	–	(7)	–	–	–	–	(109)	15,898	–	15,782
Change due to incorporation of the Company	(1,100)	–	(46,599)	210	–	49,533	–	–	–	2,044
2011 final dividend paid	–	–	–	–	–	–	–	–	(1,670)	(1,670)
2012 interim dividend paid	–	–	–	–	–	(1,262)	–	(6,790)	–	(8,052)
Total changes in equity for the year	(1,100)	(7)	(46,599)	210	–	48,271	(109)	9,108	(1,670)	8,104
At 31 March 2012	5,000	(14)	(44,619)	1,250	1,257	48,271	60	82,269	–	93,474

F. Statement of changes in equity

Company

	Attributable to owners of the Company					
	Share capital	Capital surplus (Note 43(b)(iii))	Other capital surplus (Note 43(b)(v))	Other reserves (Note 43(b)(vi))	Retained profits	Total equity
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Total comprehensive income for the year	—	—	—	1	1,832	1,833
Additions arising from acquisition of the entire interest of Main Group and the Operating Assets and Liabilities from Dynam Holdings	5,000	1,250	49,533	—	—	55,783
2012 interim dividend paid	—	—	(1,262)	—	—	(1,262)
Total changes in equity for the year and at 31 March 2012	5,000	1,250	48,271	1	1,832	56,354

G. Combined statements of cash flows

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	33,300	28,476	28,404
Adjustments for:			
Finance costs	2,442	2,137	1,833
Interest income	(37)	(76)	(47)
Dividends income	(220)	(231)	(127)
Depreciation	11,402	11,462	10,804
Exchange loss	—	—	352
Amortisation of intangible assets	345	549	495
Loss on disposals and write off of property, plant and equipment	207	241	230
Intangible assets written off	3	—	94
Impairment loss/(reversal of impairment loss) on property, plant and equipment	421	(352)	226
Fair value loss on investment properties	23	17	21
Impairment loss on available-for-sale financial assets	9	9	1
Impairment loss on other long-term assets	59	46	58
Net (gain)/loss on financial assets at fair value through profit or loss	(16)	99	—
Provision for retirement benefit obligation	232	251	259
Provision for staff vacation payable	104	7	142
Unrealised gain on derivative financial instrument	(150)	(125)	(247)
Gain on bargain purchases	(766)	—	—
Operating profit before working capital changes	47,358	42,510	42,498
(Increase)/decrease in inventories	(1,786)	1,258	216
(Increase)/decrease in trade receivables	(40)	22	(29)
(Increase)/decrease in other long-term assets	(173)	(32)	646
(Increase)/decrease in prepayments, deposits and other receivables	(724)	655	(1,083)
Decrease in amounts due from related companies	136	13	51
Increase/(decrease) in trade payables	181	(291)	(84)
(Decrease)/increase in accruals and other payables	(2,879)	(1,857)	3,349
Decrease in other long-term liabilities	(20)	(24)	(9)
Decrease in retirement benefit obligation	(56)	(70)	(117)
Decrease in amounts due to related companies	(146)	(227)	(236)
Cash generated from operations	41,851	41,957	45,202
Income taxes paid	(20,429)	(6,975)	(12,360)
Finance costs paid	(2,193)	(1,583)	(936)
Net cash generated from operating activities	19,229	33,399	31,906

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(11,133)	(6,152)	(7,471)
Purchase of intangible assets	(1,197)	(415)	(392)
Proceeds from disposals of property, plant and equipment	—	5	6
Net inflow from acquisition of subsidiaries	944	279	—
Decrease in fixed bank deposit	1,108	41	1,243
Decrease/(increase) in amounts due from related companies	46	(11,294)	17,438
Purchase of available-for-sale financial assets	(110)	(25)	—
Proceeds from disposal of available-for-sale financial assets	32	6	—
Interest received	37	76	47
Dividend received	220	231	127
Net cash (used in)/generated from investing activities	(10,053)	(17,248)	10,998
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised	43,098	13,850	22,000
Convertible bonds raised	—	—	4,999
Repayment of bank loans	(43,305)	(30,527)	(37,453)
Repayment of finance lease	(2,688)	(2,058)	(1,428)
Repayment of convertible bonds	—	—	(5,368)
Increase/(decrease) in amounts due to related companies	1,347	852	(16,947)
Proceeds from issuance of shares of subsidiaries	1,230	1,400	—
Proceeds from incorporation of the Company under the Reorganisation	—	—	7,242
Dividends paid	(7,242)	(4,295)	(4,885)
Net cash used in financing activities	(7,560)	(20,778)	(31,840)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,616	(4,627)	11,064
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,471	22,087	17,460
CASH AND CASH EQUIVALENTS AT END OF YEAR	22,087	17,460	28,524
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	22,087	17,460	28,524

H. Notes to the financial information

1. General information

The Company was incorporated in Japan under the Companies Law with limited liability on 20 September 2011. The address of its registered office and principal place of business are 2-25-1-702 Nishi-Nippori, Arakawa-ku, Tokyo 116-0013, Japan.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the Financial Information.

2. Basis of preparation of financial information

The companies now comprising the Group are under the common control of the shareholders of 株式会社ダイナムホールディングス DYNAM HOLDINGS Co., Ltd.* ("Dynam Holdings"). Pursuant to the Reorganisation, the Company acquired the entire interests and control of Dynam, Dynam Land & Building, Cabin Plaza, Daikokuten, Okuwa Japan, Dynam Data Processing, Dynam P Trading, Dynam Advertisement and Shinrainomori Association (collectively, the "Main Group") and operating assets and liabilities ("Operating Assets and Liabilities") on 20 September 2011 by way of issue of shares under company split and the entire interests of Kanto Daido and Shinrainomori (collectively, the "Second Group") on 1 December 2011 by way of cash, and the Company became the holding company of the Group.

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

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

The combined 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 shareholders of Dynam Holdings.

The combined income statements and statements of comprehensive income and combined 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 combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at the date of this report 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 shareholders' perspective of Dynam Holdings. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the shareholders' interest of Dynam Holdings.

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

3. Adoption of new and revised international financial reporting standards

During the Track Record Period, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for accounting periods beginning on 1 April 2011. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations.

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.

4. Significant accounting policies

The Financial Information has been prepared in accordance with IFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

The preparation of Financial Information in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of the Group made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

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

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Merger accounting for business combination under common control

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

The combined income statements and statements of comprehensive income and combined 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 combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at the date of this report 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 shareholders' perspective of Dynam Holdings. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the shareholders' interest of Dynam Holdings.

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

(c) Business combination (other than under common control) and goodwill

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

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

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

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

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

(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 combined financial statements are presented in Japanese yen ("¥"), which is the Company's functional and presentation currency.

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

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

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

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

(e) Property, plant and equipment

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

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

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

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

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

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

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

(f) Investment properties

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

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

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

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

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

(g) Intangible assets

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

Trademarks	10 years
Computer software	5 years

(h) Leases

(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.

(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.

(j) Inventories

(i) Prize

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

(ii) Supplies

Inventories represent pachinko and pachislot machineries and consumables for use in the operation of halls and are stated at the lower of cost and net realisable value. Cost is determined on the first in, first out basis.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

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

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

(l) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs 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.

(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 recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

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

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

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

(o) Financial liabilities and equity instruments

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

(p) Borrowings

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

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

(q) Trade and other payables

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

(r) Equity instruments

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

(s) Financial guarantee contract liabilities

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

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

— the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(t) Convertible bonds

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

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

(u) Derivative financial instruments

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

The resulting gain or loss is recognised in profit or loss immediately.

(v) Revenue recognition

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

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

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

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

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

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

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

(w) Pachinko and pachislot machine expenses

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

(x) Employee benefits

(i) Employee leave entitlements

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

(ii) Defined contribution retirement plans

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

(iii) Defined benefit retirement plans

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

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

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

(y) Borrowing costs

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

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

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

(z) Government grants

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

(aa) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

(ab) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(ac) Impairment of assets

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, investments, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(ad) Provisions and contingent liabilities

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

When 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.

(ae) Events after the reporting period

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

5. Critical judgements and key estimates

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the Financial Information.

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) 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 reporting period, are discussed below.

Fair value of certain assets and liabilities involving valuation technique

During the Group's acquisitions of certain businesses as set out in note 44(a) to the Financial Information, valuation techniques were applied to determine the fair values of the acquired assets, liabilities and contingent liabilities. Furthermore, the investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss and fair value of derivative financial instruments as set out in note 18, note 21, note 22 and note 33 to the Financial Information respectively also involve valuation techniques. When applying valuation techniques, various subjective assumptions and generally accepted methodologies were used to derive the fair values. Any changes in these assumptions can significantly affect the estimate of the fair value of the underlying assets and liabilities.

Property, plant and equipment and depreciation

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment loss calculation are provided in note 19 to Financial Information.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment has any indication of impairment in accordance with the accounting policy. The recoverable amount of property, plant and equipment has been determined based on value-in-use calculation. This calculation requires the use of judgement and estimates.

Intangible assets and amortisation

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

Impairment of available-for-sale financial assets

The Group determines whether the unlisted equity investment is impaired at least on an annual basis and based on the financial information available from the unlisted equity investment. Details are set out in note 21 to the Financial Information.

Impairment loss for bad and doubtful debts

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

Allowance for slow-moving inventories

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

Income taxes

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

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 minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(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. Therefore, the Group is exposed to equity security price risk mainly through its investments in listed equity securities and unlisted convertible bonds. These investments are held from a viewpoint of business strategy, not for short term trading purpose. The Group will not sell these investments frequently and the Group periodically reviews the fair value of these investments as well as the financial condition of investees.

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

Impact on consolidated profit after tax:

Increase/(decrease) in share prices	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
5%	13	—	—
(5%)	(11)	—	—

Impact on consolidated other comprehensive income after tax:

Increase/(decrease) in share prices	At 31 March 2010	2011	2012
	¥ million	*¥ million*	*¥ million*
5%	5	13	12
(5%)	(5)	(13)	(12)

(c) Credit risk

The carrying amount of the bank and cash balances, derivative financial instruments, trade receivables such as commission income from vending machines, other receivables and amounts due from related companies included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets. The Group has policies in place to ensure that the Group's third party vending machine operators have appropriate credit histories.

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

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

(d) Liquidity risk

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

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

	Maturity Analysis — undiscounted cash outflows				
	Less Than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
At 31 March 2010					
Trade payables	1,459	—	—	—	1,459
Accruals and other payables	19,329	—	—	—	19,329
Derivative financial instruments	272	174	66	(6)	506
Amounts due to related companies	2,584	246	614	2,669	6,113
Finance lease payables	2,119	1,239	2,269	—	5,627
Borrowings	27,532	14,052	13,688	1,457	56,729
Other long-term liabilities	—	—	—	124	124
	53,295	15,711	16,637	4,244	89,887
At 31 March 2011					
Trade payables	1,232	—	—	—	1,232
Accruals and other payables	17,600	—	—	—	17,600
Derivative financial instruments	200	103	82	(4)	381
Amounts due to related companies	1,065	286	1,697	4,538	7,586
Finance lease payables	1,529	1,189	2,062	—	4,780
Borrowings	16,394	11,419	10,152	2,131	40,096
Other long-term liabilities	—	—	—	139	139
	38,020	12,997	13,993	6,804	71,814
At 31 March 2012					
Trade payables	1,148	—	—	—	1,148
Accruals and other payables	21,090	—	—	—	21,090
Derivative financial instruments	62	48	76	10	196
Amounts due to related companies	443	—	—	—	443
Finance lease payables	1,302	1,280	1,150	—	3,732
Borrowings	17,919	1,446	3,583	1,118	24,066
Other long-term liabilities	—	—	—	146	146
	41,964	2,774	4,809	1,274	50,821

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, bank loans, syndicated loans and amounts due from/(to) related companies. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2010, 2011 and 2012, 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 rates	At 31 March 2010	At 31 March 2011	At 31 March 2012
	¥ million	¥ million	¥ million
25 basis points	(34)	(14)	(24)
(25) basis points	34	14	24

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis throughout the Track Record Period.

During the Track Record Period, 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 2010, 2011 and 2012, if the underlying interest rate for computation of the fair value of interest rate swap contracts at the end of each reporting period increase/decrease 25 basis points with all other variables held constant, would have increased/decreased the Group's profit after tax for the year as a result of change in the fair value of derivative financial instruments as follows:

Increase/(decrease) in interest rates	At 31 March 2010	At 31 March 2011	At 31 March 2012
	¥ million	¥ million	¥ million
25 basis points	75	61	28
(25) basis points	(76)	(61)	(28)

(f) Categories of the Group's financial instruments at the end of each reporting period

	At 31 March 2010	At 31 March 2011	At 31 March 2012
	¥ million	¥ million	¥ million
Financial assets:			
Available-for-sale financial assets	5,093	5,357	509
Financial assets at fair value through profit or loss	377	—	—
Held-to-maturity investment	10	10	10
Loans and receivables (including cash and cash equivalents)	29,769	36,305	34,373
Financial liabilities:			
Derivative financial instruments	506	381	196
Financial liabilities at amortised cost	76,734	59,222	41,793

(g) Fair value

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

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

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

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

Disclosures of level in fair value hierarchy at 31 March 2010, 2011 and 2012:

At 31 March 2010

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	¥ million	*¥ million*	*¥ million*	*¥ million*
Assets:				
Available-for-sale financial assets	151	—	—	151
Financial assets at fair value through profit or loss	—	377	—	377
Liabilities:				
Derivative financial instruments	—	506	—	506

At 31 March 2011

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	¥ million	*¥ million*	*¥ million*	*¥ million*
Assets:				
Available-for-sale financial assets	424	—	—	424
Financial assets at fair value through profit or loss	—	—	—	—
Liabilities:				
Derivative financial instruments	—	381	—	381

At 31 March 2012

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	¥ million	*¥ million*	*¥ million*	*¥ million*
Assets:				
Available-for-sale financial assets	414	—	—	414
Financial assets at fair value through profit or loss	—	—	—	—
Liabilities:				
Derivative financial instruments	—	196	—	196

7. Revenue

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

The Group has carried on a single business in a single geographical location, which is the operation of pachinko halls in Japan, and all the assets are located in Japan. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

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

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Gross pay-ins	862,023	859,882	908,309
Less: gross payouts	(696,562)	(690,245)	(743,231)
Revenue	165,461	169,637	165,078

8. Other income

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Bank interest income	2	2	1
Commission income from vending machines and in-store sales	3,690	4,024	4,163
Dividends income	220	231	127
Fair value gain on financial assets at fair value through profit or loss	16	—	—
Gain on bargain purchase	766	—	—
Net gain on disposals of used machines	462	635	453
Income from forfeiture of unutilised balls and tokens	311	315	332
Interest income on loan to related companies	35	72	46
Rental income	832	877	845
Reversal of impairment losses on property, plant and equipment	—	352	—
Others	564	454	605
	6,898	6,962	6,572

9. Hall operating expenses

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Advertising expenses	6,343	7,666	6,265
Cleaning and ancillary services	4,612	4,228	4,273
Depreciation charges	11,399	11,453	10,788
G-prize expenses	4,283	4,593	4,831
Hall staff costs	43,094	45,944	46,297
Pachinko and pachislot machine expenses	35,693	41,290	35,739
Rental	9,583	10,043	10,166
Repair and maintenance	3,136	2,967	3,889
Utilities expenses	4,595	4,901	4,716
Others	12,049	11,154	11,821
	134,787	144,239	138,785

10. Finance costs

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Bond and convertible bonds interest expenses	60	25	39
Finance leases charges	192	228	165
Interest on machines instalment payables	239	—	—
Interest expenses on loan from related companies	16	151	82
Interest on bank loans and syndicated loans			
— Wholly repayable within five years	1,076	747	428
— Not wholly repayable within five years	2	130	135
Total borrowing costs	1,585	1,281	849
Amortisation of syndicated loan bank charges	774	769	872
Amortisation of bond issuance cost	15	9	—
Loss on redemption of convertible bonds	—	—	40
Provision, unwinding of discount	63	69	70
Others	5	9	2
	2,442	2,137	1,833

11. Income tax expenses

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Current tax — Japan			
Provision for the year	9,775	11,336	11,737
Under provision in prior years	15	3	1
	9,790	11,339	11,738
Deferred tax *(note 39)*	3,296	946	768
	13,086	12,285	12,506

No provision for Hong Kong Profits Tax has been made for the Track Record Period as the Group did not generate any assessable profits arising in Hong Kong during that period.

Profits tax arising in Japan (the "Japan Profits Tax") is calculated at the rates prevailing in Japan during the Track Record Period. The rates for the companies throughout the Track Record Period are as follows:

	Year ended 31 March		
	2010	2011	2012
The Company	—	—	40.7%
Dynam	40.7%	40.7%	40.7%
Cabin Plaza	41.2%	41.2%	41.2%
Daikokuten	41.5%	41.5%	41.5%
Okuwa Japan	—	40.1%	40.1%
Dynam Land & Building	42.1%	40.7%	40.7%
Dynam Data Processing	42.1%	42.1%	42.1%
Dynam P Trading	—	42.1%	42.1%
Dynam Advertisement	—	40.9%	40.9%
Kanto Daido	40.9%	40.9%	40.9%
Shinrainomori	40.9%	40.9%	40.9%
Shinrainomori Association	40.7%	40.7%	40.7%

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

	Effective tax rate		
	Y/E 2012	Y/E 2013– Y/E 2015	Y/E 2016
The Company	40.7%	38.0%	35.6%
Dynam	40.7%	38.0%	35.6%
Cabin Plaza	41.2%	38.6%	36.3%
Daikokuten	41.5%	38.9%	36.6%
Okuwa Japan	40.1%	37.5%	35.1%
Dynam Land & Building	40.7%	38.0%	35.6%
Dynam Data Processing	42.1%	39.4%	37.1%
Dynam P Trading	42.1%	39.4%	37.1%
Dynam Advertisement	40.9%	38.4%	36.1%
Kanto Daido	40.9%	38.4%	36.1%
Shinrainomori	40.9%	38.4%	36.1%
Shinrainomori Association	40.7%	38.0%	35.6%

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

	Year ended 31 March		
	2010	2011	2012
	¥ million	¥ million	¥ million
Profit before tax	33,300	28,476	28,404
Japan Profits Tax rate	40%	40%	40%
Tax at the domestic income tax rate	13,320	11,390	11,362
Tax effect of income that is not taxable	(343)	(37)	(24)
Tax effect of expenses that are not deductible	238	609	267
Tax effect of temporary differences not recognised	(246)	48	(29)
Tax effect of utilisation of tax losses not previously recognised	—	—	(13)
Tax losses not recognised	48	185	254
Under provision in prior years	15	3	1
Effect of different tax rates of subsidiaries	67	87	84
Effect of change in tax rates	—	—	599
Others	(13)	—	5
Income tax expenses	13,086	12,285	12,506

12. Profit for the year

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

	Year ended 31 March		
	2010	2011	2012
	¥ million	¥ million	¥ million
Impairment loss/(reversal of impairment loss) on property, plant and equipment	421	(352)	226
Impairment loss on available-for-sale financial assets	9	9	1
Impairment loss on other long-term assets	59	46	58
Amortisation of intangible assets (included in hall operating expenses)	345	549	495
Auditor's remuneration	23	28	47
Depreciation	11,402	11,462	10,804
Directors' emoluments			
— As Directors	—	—	49
— For management	—	—	—
	—	—	49
Net loss on derivative financial instruments	214	201	12
Fair value loss on investment properties	23	17	21
Net (gain)/loss on financial assets fair value through profit or loss	(16)	99	—
Loss on disposals and write off of property, plant and equipment	207	241	230
Intangible assets written off	3	—	94
Operating lease charges			
— Land and buildings	9,614	10,099	10,249
Staff costs including Directors' emoluments			
— Salaries, bonus and allowances	42,713	45,629	46,540
— Expenses recognised in respect of defined benefit retirement plans	232	251	259
— Contribution to defined contribution retirement plans	413	446	448
	43,358	46,326	47,247

13. Remuneration of directors and five highest paid individuals

(a) Directors' emoluments

The emoluments of each of the Company's director were as follows:

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Year ended 31 March 2010					
Mr. Yoji Sato	—	—	—	—	—
Mr. Katsuhide Horiba	—	—	—	—	—
Mr. Ichiro Takano	—	—	—	—	—
Mr. Noriaki Ushijima	—	—	—	—	—
Mr. Noboru Tamura	—	—	—	—	—
Mr. Yukio Yoshida	—	—	—	—	—
Total	—	—	—	—	—

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Year ended 31 March 2011					
Mr. Yoji Sato	—	—	—	—	—
Mr. Katsuhide Horiba	—	—	—	—	—
Mr. Ichiro Takano	—	—	—	—	—
Mr. Noriaki Ushijima	—	—	—	—	—
Mr. Noboru Tamura	—	—	—	—	—
Mr. Yukio Yoshida	—	—	—	—	—
Total	—	—	—	—	—

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Year ended 31 March 2012					
Mr. Yoji Sato	—	16.8	4.2	3.4	24.4
Mr. Katsuhide Horiba	—	3.0	0.2	—	3.2
Mr. Ichiro Takano	—	3.0	0.2	—	3.2
Mr. Noriaki Ushijima	—	4.5	0.2	—	4.7
Mr. Noboru Tamura	—	7.0	0.9	1.5	9.4
Mr. Yukio Yoshida	—	3.0	0.2	—	3.2
Mr. Mitsutoshi Kato	—	0.4	—	—	0.4
Mr. Thomas Chun Kee Yip	—	0.4	—	—	0.4
Total	—	38.1	5.9	4.9	48.9

Note:

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

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

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

(4) No emoluments were paid by the Group to the directors during the years ended 31 March 2010 and 2011 as their emoluments were borne by Dynam Holdings and were not charged to the Group throughout the years ended 31 March 2010, 2011. It is not practical to allocate the remuneration for their services to the Group and other entities related to Dynam Holdings.

(5) Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals' remuneration

The five highest paid individuals in the Group included Nil, Nil and one director for the each of years ended 31 March 2010, 2011 and 2012 respectively. Details of the remuneration of the remaining highest paid individuals during the Track Record Period are set out below:

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Salaries and allowances	113	113	88
Discretionary bonus	21	21	14
Retirement benefit contributions scheme	17	16	14
	151	150	116

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

	Year ended 31 March		
	2010	2011	2012
HK$Nil to HK$2,000,000 (equivalent to ¥Nil to ¥20,000,000)	—	—	—
HK$2,000,001 to HK$2,500,000 (equivalent to ¥20,000,010 to ¥25,000,000)	3	3	3
HK$2,500,001 to HK$3,000,000 (equivalent to ¥25,000,010 to ¥30,000,000)	—	—	—
HK$3,000,001 to HK$3,500,000 (equivalent to ¥30,000,010 to ¥35,000,000)	1	1	—
HK$3,500,001 to HK$4,000,000 (equivalent to ¥35,000,010 to ¥40,000,000)	—	—	—
HK$4,000,001 to HK$4,500,000 (equivalent to ¥40,000,010 to ¥45,000,000)	—	—	—
HK$4,500,001 to HK$5,000,000 (equivalent to ¥45,000,010 to ¥50,000,000)	1	1	1

No remunerations were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

14. Retirement benefit schemes

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

15. Dividends

During the Track Record Period, the Company and the Company's subsidiaries made the following distributions to its then shareholders.

	Year ended 31 March					
	2010		2011		2012	
Dividends declared and paid/payable to its then shareholders during the Track Record Period by:	**Dividend per share**	**Total dividends**	**Dividend per share**	**Total dividends**	**Dividend per share**	**Total dividends**
	¥	*¥ million*	*¥*	*¥ million*	*¥*	*¥ million*
The Company						
— Interim	—	—	—	—	40	1,262
Dynam						
— First interim	50	1,628	30	977	149	4,837(*)
— Second interim	120	3,907	50	1,628	60	1,953
— Final	50	1,628	50	1,628	—	—
Dynam Data Processing						
— Interim	16,100	3	22,600	5	—	—
— Final	—	—	52,700	11	—	—
Dynam Land & Building						
— Interim	28,800	12	—	—	—	—
— Final	—	—	—	—	—	—
Cabin Plaza						
— Interim	214,700	42	22,600	32	—	—
— Final	128,700	25	154,100	31	—	—
		7,245		4,312		8,052

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

16. Earnings per share

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

	Year ended 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Earnings for the purpose of calculating basic earnings per share	20,214	16,191	15,898
Weighted average number of shares before sub-division	31,542,518	31,542,518	31,542,518
Effect of sub-division of shares	599,307,842	599,307,842	599,307,842
Weighted average number of shares for the purpose of calculating basic earnings per share *(note 51)*	630,850,360	630,850,360	630,850,360

No diluted earnings per share was presented for the years ended 31 March 2010 and 2011 as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2010 and 2011.

No diluted earnings per share was presented for the year ended 31 March 2012 as the conversion of the Convertible Bonds would be anti-dilutive for the year ended 31 March 2012.

17. Property, plant and equipment

Group

	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 2009	27,117	104,725	54,867	353	676	187,738
Additions	—	1,958	7,746	43	5,627	15,374
Transfer	—	4,422	—	—	(4,422)	—
Acquisition through business combinations *(note 44(a))*	645	473	31	2	—	1,151
Disposals/write off	—	(239)	(863)	(127)	—	(1,229)
At 31 March 2010 and 1 April 2010	27,762	111,339	61,781	271	1,881	203,034
Additions	225	1,107	4,307	—	1,991	7,630
Transfer	—	3,531	—	—	(3,531)	—
Acquisition through business combinations *(note 44(a))*	236	261	42	—	—	539
Disposals/write off	(8)	(402)	(363)	(68)	—	(841)
At 31 March 2011 and 1 April 2011	28,215	115,836	65,767	203	341	210,362
Additions	4	2,428	4,978	10	578	7,998
Transfer	—	915	—	—	(915)	—
Transfer to investment properties *(note 18)*	(61)	—	—	—	—	(61)
Acquired from Dynam Holdings	200	156	2	—	—	358
Disposals/write off	(4)	(590)	(169)	(92)	—	(855)
At 31 March 2012	28,354	118,745	70,578	121	4	217,802
Accumulated depreciation and impairment						
At 1 April 2009	1,848	50,285	38,634	275	—	91,042
Charge for the year	—	5,870	5,475	57	—	11,402
Impairment loss	140	156	125	—	—	421
Disposals/write off	—	(142)	(753)	(127)	—	(1,022)
At 31 March 2010 and 1 April 2010	1,988	56,169	43,481	205	—	101,843
Charge for the year	—	6,039	5,389	34	—	11,462
Reversal of impairment loss	(322)	(27)	(3)	—	—	(352)
Disposals/write off	—	(316)	(211)	(68)	—	(595)
At 31 March 2011 and 1 April 2011	1,666	61,865	48,656	171	—	112,358
Charge for the year	—	5,560	5,226	18	—	10,804
(Reversal of impairment loss)/impairment loss	(48)	173	101	—	—	226
Disposals/write off	—	(426)	(102)	(91)	—	(619)
At 31 March 2012	1,618	67,172	53,881	98	—	122,769
Carrying amount						
At 31 March 2010	25,774	55,170	18,300	66	1,881	101,191
At 31 March 2011	26,549	53,971	17,111	32	341	98,004
At 31 March 2012	26,736	51,573	16,697	23	4	95,033

Company

	Freehold land	Buildings including leasehold improvements	Tools and equipment	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*
Cost				
Acquired from Dynam Holdings . .	200	156	2	358
Additions	—	1	18	19
At 31 March 2012.	200	157	20	377
Accumulated depreciation and impairment				
Charge for the year and at 31 March 2012	—	2	4	6
Carrying amount				
At 31 March 2012.	200	155	16	371

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

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Freehold	25,774	26,549	26,736	200

(b) The carrying amounts of tools and equipment and motor vehicles held by the Group under finance leases amounted to ¥3,112 million, ¥3,839 million and ¥3,441 million at 31 March 2010, 2011 and 2012 respectively.

(c) At 31 March 2010, 2011 and 2012, the carrying amounts of property, plant and equipment pledged as security for the Group's borrowings amounted to ¥28,413 million, ¥30,736 million and ¥29,020 million respectively.

(d) The Group carried out reviews of the recoverable amount of its property, plant and equipment as at 31 March 2010, 2011 and 2012. Cash-generating unit ("CGU") has been based on individual pachinko hall. The recoverable amount of the CGU is determined from the higher of fair value less costs to sell and value in use.

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

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

	Group		
	At 31 March		
	2010	2011	2012
	%	%	%
Discount rate	9.9	8.8	8.7

(e) As a result of the Great East Japan Earthquake on 11 March 2011, the Group fully wrote off the carrying amount of the property, plant and equipment of the hall that are collapsed during the earthquake. These amounts are accounted for as hall operating expenses under "Others", which includes loss on earthquake.

18. Investment properties

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
At beginning of year	1,022	999	982
Transfer from property, plant and equipment *(note 17)*	—	—	66
Fair value loss	(23)	(17)	(21)
At end of year	999	982	1,027

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

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
In Japan			
Freehold	511	510	574
Medium-term lease	488	472	453
	999	982	1,027

The Group's investment properties were valued at 31 March 2010, 2011 and 2012 on income approach or sales comparison approach by DTZ.

19. Intangible assets

Group

	Goodwill	Trademarks	Computer software	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*
Cost				
At 1 April 2009	10	5	2,708	2,723
Additions	—	—	1,197	1,197
Write off	—	—	(56)	(56)
At 31 March 2010 and 1 April 2010	10	5	3,849	3,864
Additions	—	—	415	415
Acquisition through business combinations *(note 44(a))*	37	—	—	37
At 31 March 2011 and 1 April 2011	47	5	4,264	4,316
Additions	—	2	390	392
Acquired from Dynam Holdings	—	8	—	8
Write off	—	—	(268)	(268)
At 31 March 2012	47	15	4,386	4,448
Accumulated amortisation				
At 1 April 2009	—	2	1,795	1,797
Amortisation for the year	—	1	344	345
Write off	—	—	(53)	(53)
At 31 March 2010 and 1 April 2010	—	3	2,086	2,089
Amortisation for the year	—	1	548	549
At 31 March 2011 and 1 April 2011	—	4	2,634	2,638
Amortisation for the year	—	1	494	495
Write off	—	—	(174)	(174)
At 31 March 2012	—	5	2,954	2,959
Carrying amount				
At 31 March 2010	10	2	1,763	1,775
At 31 March 2011	47	1	1,630	1,678
At 31 March 2012	47	10	1,432	1,489

Company

	Trademarks
	¥ million
Cost	
Acquired from Dynam Holdings	8
Additions	2
At 31 March 2012	10
Accumulated amortisation	
Amortisation for the year and at 31 March 2012	1
Carrying amount	
At 31 March 2012	9

Goodwill arose on acquisitions of subsidiaries during the Track Record Period. Goodwill is allocated to the Group's CGU identified according to its operation and business as follows:

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Trading of pachinko machines	10	10	10
Operation of pachinko halls	—	37	37
	10	47	47

The recoverable amounts of the CGU of operation of pachinko halls are determined from value in use calculations. The calculation uses free cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to the cash flow projections as at 31 March 2011 and 2012 are 32.2% and 33.6% respectively.

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 period. 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.

20. Interests in subsidiaries

Company

	At 31 March 2012
	¥ million
Unlisted investments, at cost	54,071

(a) At the date of this report, the Company had the following subsidiaries:

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital (¥)	Percentage of ownership interest/ voting power/profit sharing			Principal activities
			At 31 March			
			2010	2011	2012	
Dynam	Japan 25 July 1967	5,000,000,000	100%	100%	100%	Operation of pachinko halls
Cabin Plaza *(note 1)*	Japan 25 May 1988	10,000,000	100%	100%	100%	Operation of pachinko halls
Daikokuten *(note 2)*	Japan 12 March 1977	95,000,000	100%	100%	100%	Operation of pachinko halls
Okuwa Japan *(note 3)*	Japan 3 July 1996	200,000,000	—	100%	100%	Operation of pachinko halls
Dynam Land & Building	Japan 31 October 2003	1,020,000,000	100%	100%	100%	Real estate and property management
Dynam Data Processing	Japan 31 October 2003	10,000,000	100%	100%	100%	Provision of accounting and administrative services
Dynam P Trading	Japan 1 July 2010	30,000,000	—	100%	100%	Trading and sourcing of pachinko machines
Dynam Advertisement	Japan 1 July 2010	30,000,000	—	100%	100%	Provision of advertising and marketing services
Kanto Daido *(note 4)*	Japan 22 January 1992	50,000,000	100%	100%	100%	Trading of pachinko machines
Shinrainomori	Japan 3 December 2008	10,000,000	100%	100%	100%	Franchise chain operation
Shinrainomori Association *(note 5)*	Japan 3 December 2008	—	100%	100%	100%	Supporting arm of a franchise chain under Shinrainomori to undertake non-profit brand-building activities

(1) This subsidiary was acquired on 1 April 2009.
(2) This subsidiary was acquired on 1 December 2009.
(3) This subsidiary was acquired on 1 June 2010.
(4) This subsidiary was acquired on 1 July 2008 and is indirectly held by the Group.
(5) Shinrainomori Association is a general incorporated 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 incorporated association.

(b) Amounts due from subsidiaries are unsecured, interest bearing at a fixed interest rate of 3% per annum and expose the Company to fair value interest rate risk.

The amounts due from subsidiaries recognised under non-current assets are repayable by instalments and lump sum settlement at the specific dates. While, the amounts due from subsidiaries recognised under current assets have no fixed term of repayments.

(c) Included in the amounts due to subsidiaries was an amount of ¥1,700 million which is arranged at a fixed interest rate of 2% per annum and expose the Company to fair value interest rate and is repayable on 28 September 2012. The remaining balance is arranged at floating rates of one month TIBOR, thus exposing the Company to cash flow interest rate risk and has no fixed term of repayment.

(d) Amount due to a subsidiary is unsecured, interest bearing at a fixed interest rate of 2.9% per annum and expose the Company to fair value interest rate risk and is repayable on 31 March 2015 and 30 September 2020 respectively.

21. Available-for-sale financial assets

	Group		
	At 31 March		
	2010	**2011**	**2012**
	¥ million	***¥ million***	***¥ million***
Equity securities at fair value, listed in Japan	151	424	414
Equity securities at cost, unlisted	4,933	4,927	90
Club membership at cost	9	6	5
	5,093	5,357	509

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

22. Financial assets at fair value through profit or loss

The unlisted convertible bonds are measured at fair values which are determined with reference to the valuation performed by Censere Holdings Limited ("Censere"), an independent qualified professional valuer. The valuation was carried out by adopting Monte Carlo Simulation.

23. Held-to-maturity investment

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

24. Other long-term assets

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Pre-paid rental expenses	6,177	5,794	5,081	—
Pre-paid insurance expenses	130	70	8	4
Pre-paid lender commitment fee	319	297	228	—
Rental deposits	4,925	5,022	5,061	—
Others	199	243	280	—
	11,750	11,426	10,658	4

At 31 March 2010, 2011 and 2012, the carrying amounts of other long-term assets pledged as security for the Group's borrowings amounted to ¥626 million, ¥535 million and ¥491 million respectively.

25. Inventories

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
G-prize	3,339	3,128	2,276
General prize	1,181	1,029	1,093
Supplies	1,461	590	1,162
	5,981	4,747	4,531

26. Trade receivables

The Group's trade receivables relate to commission income from vending machines. During the Track Record Period, the credit terms generally range to 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

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

	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
0 to 30 days	374	352	381

No balances were past due during the Track Record Period.

27. Prepayments, deposits and other receivables

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Prepayments				
Lender commitment fee	319	153	226	—
Insurance	82	79	81	—
IPO expenses	—	—	533	533
Rental	1,604	1,697	1,817	—
Staff costs	88	44	51	—
Withholding tax receivables	—	—	423	423
Others	472	161	177	2
	2,565	2,134	3,308	958
Deposit	179	—	—	—
Other receivables				
Consumption tax refundable	187	75	53	—
G-prize refundable	—	112	—	—
Income tax refundable	17	—	54	—
	204	187	107	—
	2,948	2,321	3,415	958

At 31 March 2010, 2011 and 2012, the carrying amounts of prepayments, deposit and other receivables pledged as security for the Group's borrowings amounted to ¥35 million, ¥35 million and ¥35 million respectively.

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:

(a) Current portion

Name	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
株式会社ビジネスパートナーズ Business Partners Co., Ltd.* ("Business Partners")	—	2	2	—
Dynam Holdings	311	8,947	4	—
株式会社ダイナム綜合投資 Dynam Investment Co., Ltd.* ("Dynam Investment")	1	1	1	—
株式会社日本ヒュウマップ Humap Japan Co., Ltd.* ("Humap")	12	12	6	—
株式会社パチソコリース Pachinko Leasing Co., Ltd.* ("Pachinko Leasing")	34	2	1	—
株式会社ピー商品企画 P Brand Planning Co., Ltd.* ("P Brand Planning")	136	—	—	—
株式会社TRUSTY POWER TRUSTY POWER Co., Ltd.* ("Trusty Power")	23	34	—	—
株式会社X-GOLF JAPAN X-GOLF JAPAN Co., Ltd.* ("X-Golf")	—	—	6	2
	517	8,998	20	2

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

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Business Partners	—	2	5	—
Dynam Holdings	1,620	12,352	11,747	15
Dynam Investment	1	63	2	—
Humap	17	14	12	—
Pachinko Leasing	165	87	4	—
P Brand Planning	166	136	—	—
Trusty Power	45	60	86	—
X-Golf	—	—	13	2
株式会社チンギスハーン旅行 Genghis Khan Travel Co., Ltd.* ("Genghis Khan Travel")	—	63	1	1
株式会社ピーインシュアランス P Insurance Co., Ltd.* ("P Insurance")	—	63	—	—

(ii) Included in the amounts due from related companies are amounts which are non-trade in nature, unsecured, interest bearing and have a specific terms of repayment as follows:

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Dynam Holdings	300	8,927	—	—
P Brand Planning	133	—	—	—
	433	8,927	—	—

The interest rates were as follows:

	Interest rate
At 31 March 2010	1 month TIBOR plus 1% to 1 month TIBOR plus 2% per annum
At 31 March 2011	1 month TIBOR plus 1% to 1 month TIBOR plus 2% per annum

(iii) The remaining portion of the amounts due from related companies of the Group is trade in nature.

(b) Non-current portion:

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Dynam Holdings	—	2,800	—

(i) Maximum amount outstanding during the year ended 31 March 2010, 2011 and 2012 was ¥200 million, ¥2,800 million and ¥2,800 million respectively.

(ii) The amount due from a related company as at 31 March 2011 is non-trade in nature, unsecured, interest bearing at a fixed rate of 2.9% per annum and has to repay after one year.

(c) Except Mr. Mitsutoshi Kato and Mr. Thomas Chun Kee Yip, all directors are interested in the above transactions to the extent that they are beneficial shareholders of Dynam Holdings.

(d) The amounts due from related companies under non-trade in nature of ¥433 million, ¥8,927 million and ¥Nil million are arranged at floating interest rates per annum and expose the Group to cash flow interest rate risk at 31 March 2010, 2011 and 2012 respectively. The remaining amounts due from related companies under non-trade in nature are arranged at fixed rates thus exposing the Group to fair value interest rate risk.

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

29. Fixed bank deposits

Fixed bank deposits consist of the time deposits which mature over three months.

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
3–12 months	687	888	—
Over 1 year	597	355	—
	1,284	1,243	—

30. Bank and cash balances

The bank and cash balances are as follows:

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Cash on hand	5,093	5,239	6,835	1
Cash at bank	18,278	13,464	21,689	2,166
Total cash and deposits	23,371	18,703	28,524	2,167
Less: Fixed bank deposits (*note (29)*)	(1,284)	(1,243)	—	—
Cash and cash equivalents	22,087	17,460	28,524	2,167

Fixed bank deposits carry interest at market rates per annum at 31 March 2010, 2011 and 2012 are as follows:

	Group		
	At 31 March		
	2010	2011	2012
	%	*%*	*%*
Fixed bank deposits	0.012–0.40	0.012–0.15	N/A

31. Trade payables

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

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
0 to 30 days	1,459	1,232	1,148

32. Accruals and other payables

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Accrued interest expenses	103	48	8	—
Accrued staff costs	6,391	6,628	7,598	53
Advertisement and promotion payables	450	349	512	—
Unutilised balls and tokens	3,792	4,173	4,198	—
Halls construction and system payables	2,473	2,367	2,669	—
Other tax expenses (*)	2,372	1,056	1,816	—
Pachinko and pachislot machines payables	3,199	2,495	3,745	—
Rental receipt in advance	68	69	73	—
Others	481	415	471	70
	19,329	17,600	21,090	123

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

33. Derivative financial instruments

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Interest rate swap contracts, at fair value	506	381	196
Less: current portion	(272)	(200)	(62)
Non-current portion	234	181	134

The Group entered into interest rate swap contracts to mitigate exposure associated with fluctuations relating to interest cash flows. The underlining currency of interest rate swap contracts is denominated in Japanese yen. At 31 March 2010, 2011 and 2012, the total notional amount of the outstanding interest rate swap contracts to which the Group are committed is as follows:

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Interest rate swap contracts	30,534	20,297	6,121

The fair values of the interest rate swap contracts as at 31 March 2010 and 31 March 2011 are based on the valuation performed by Censere and the fair value as at 31 March 2012 is based on the valuation performed by AVISTA Valuation Advisory Limited ("Avista"), an independent qualified professional valuer. The methodology adopted is Discounted Cash Flow Method using the applicable yield curve for the duration of the interest rate swap contracts.

34. Amounts due to related companies

(a) Current portion:

Name	Group At 31 March 2010	2011	2012
	¥ million	¥ million	¥ million
Business Partners	—	—	4
Dynam Holdings	450	174	2
Dynam Investment	139	—	1
Genghis Khan Travel	27	5	8
Humap	1,042	578	428
Pachinko Leasing	521	59	—
P Brand Planning	133	—	—
Trusty Power	201	80	—
	2,513	896	443

(i) Included in the amounts due to related companies are amounts which are non-trade in nature, unsecured, interest bearing and have a specific terms of repayment as follows:

	Group At 31 March 2010	2011	2012
	¥ million	¥ million	¥ million
Dynam Holdings	436	167	—
Dynam Investment	132	—	—
Genghis Khan Travel	10	—	—
Humap	375	—	—
Pachinko Leasing	474	50	—
P Brand Planning	71	—	—
Trusty Power	109	—	—
	1,607	217	—

The interest rates as at 31 March 2010 and 2011 are as follows:

	Interest rate
At 31 March 2010	1 month TIBOR to 1 month TIBOR plus 1.5% per annum
At 31 March 2011	1 month TIBOR to 1 month TIBOR plus 1.5% per annum

(ii) The remaining current portion of the amounts due to related companies of the Group is trade in nature.

(b) Non-current portion:

	Group At 31 March 2010	2011	2012
	¥ million	¥ million	¥ million
Dynam Holdings	2,900	5,580	—

The amount due to a related company is non-trade in nature and has the following terms:

	Term	Interest rate
At 31 March 2010	Unsecured, repayable by instalments (commencing from 30 June 2011 to 31 March 2021)	Fixed rate at 3% per annum
At 31 March 2011	Unsecured, repayable by instalments (commencing from 30 June 2012 to 30 December 2014)(*)	Fixed rate at 3% per annum

(*) This amount was early repaid in September 2011.

(c) Except Mr. Mitsutoshi Kato and Mr. Thomas Chun Kee Yip, all directors are interested in the above transactions to the extent that they are beneficial shareholders of Dynam Holdings.

(d) The amounts due to related companies under non-trade in nature of ¥1,607 million, ¥217 million and ¥Nil million are arranged at floating interest rates per annum and expose the Group to cash flow interest rate risk at 31 March 2010, 2011 and 2012 respectively. The remaining amounts due to related companies under non-trade in nature are arranged at fixed rates, thus exposing the Group to fair value interest rate risk.

The amounts due to related companies under trade in nature are interest free, unsecured and aged within 30 days.

35. Borrowings

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Bank loans	7,761	4,893	19,772
Syndicated loans	43,767	33,124	3,465
Bonds	2,741	—	—
	54,269	38,017	23,237
Represented by:			
Secured	25,252	38,006	15,331
Unsecured	29,017	11	7,906
	54,269	38,017	23,237
The borrowings are repayable as follows:			
On demand or within one year	26,335	15,439	1,654
In the second year	13,378	10,858	17,258
In the third to fifth years, inclusive	13,147	9,661	3,275
After five years	1,409	2,059	1,050
	54,269	38,017	23,237
Less: Amount due for settlement within 12 months (shown under current liabilities)	(26,335)	(15,439)	(1,654)
Amount due for settlement after 12 months	27,934	22,578	21,583

(a) The average interest rates at the end of each reporting period were set out as follows:

	Group		
	At 31 March		
	2010	2011	2012
	%	%	%
Bank loans	2.1	2.2	1.3
Syndicated loans	1.9	1.9	1.9
Bonds	1.8	—	—

(b) At the end of each reporting period, the borrowings were secured by the following:

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Property, plant and equipment	28,413	30,736	29,020
Other long-term assets	626	535	491
Prepayments, deposits and other receivables	35	35	35
	29,074	31,306	29,546

Corporate guarantees given by Dynam Holdings at 31 March 2010, 2011 and 2012 for the Group's borrowings were ¥4,798 million, ¥38,006 million and ¥Nil respectively.

(c) The Group's borrowings of ¥1,600 million, ¥2,662 million and ¥1,934 million are arranged at fixed interest rates per annum as below and expose the Group to fair value interest rate risk at 31 March 2010, 2011 and 2012 respectively. The remaining portion of Group's borrowings is arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

	Group		
	At 31 March		
	2010	2011	2012
	%	%	%
Borrowings	1.7–2.7	2.0–2.7	2.0–2.7

(d) During the Track Record Period, the principal amounts of bonds issued by the Group carried the fixed interest rates per annum are as follows:

Issue date	Principal amount	Interest rate	Due date
	¥ million	%	
June 2003	1,000	1.40	June 2010
May 2004	1,000	2.00	May 2009
March 2006	1,000	2.18	March 2011
August 2006	2,000	1.93	August 2011(*)

(*) This bond was early repaid in April 2010.

36. Convertible bonds

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

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

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

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

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

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

	Date of redemption	Date of issue
Share price at fair value	¥3,818	¥3,286
Conversion price	HK$364	HK$364
Expected volatility	60.49%	55.68%
Expected life	0.7 year	1 year
Risk free rate.	0.12%	0.16%
Expected dividend yield	4.22%	4.9%

37. Finance lease payables

Group

	Minimum lease payments			Present value of minimum payments		
	At 31 March			At 31 March		
	2010	2011	2012	2010	2011	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*
Within one year	2,119	1,529	1,302	1,932	1,373	1,187
In the second to fifth years, inclusive	3,508	3,251	2,430	3,277	3,074	2,331
	5,627	4,780	3,732	5,209	4,447	3,518
Less: Future finance charges	(418)	(333)	(214)	—	—	—
Present value of lease obligations	5,209	4,447	3,518	5,209	4,447	3,518
Less: Amount due for settlement within 12 months (shown under current liabilities)				(1,932)	(1,373)	(1,187)
Amount due for settlement after 12 months				3,277	3,074	2,331

It is the Group's policy to lease certain of its tools and equipment and motor vehicles under finance leases. The average lease term is 5 years. The average effective borrowing rates per annum at 31 March 2010, 2011 and 2012 were 3.8%, 3.9% and 3.6% respectively. 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.

38. Retirement benefit obligations

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

(a) Movements in the liability recognised in the combined statements of financial position are as follows:

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
At beginning of year	1,365	1,502	1,462	—
Acquired from Dynam Holdings	—	—	6	6
Current service cost	202	217	211	7
Interest cost	30	34	48	—
Benefit paid	(56)	(70)	(117)	(1)
Actuarial (gains)/losses	(54)	(222)	194	(1)
Business combinations *(note 44(a))*	15	1	—	—
At end of year	1,502	1,462	1,804	11

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

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

	Group			Company
	Year ended 31 March			Year ended 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Current service cost	202	217	211	7
Interest cost	30	34	48	—
	232	251	259	7

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

	Group			Company
	Year ended 31 March			Year ended 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Actuarial (gains)/losses recognised	(54)	(222)	194	(1)

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

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	%	*%*	*%*	*%*
Discount rate	2.2578	3.2589	2.0750	2.0750
Future salary increases	2.7200	2.6600	2.4600	2.4600

39. Deferred tax assets/(liabilities)

Group

	Property, plant and equipment	Staff cost	Unutilised balls and tokens	Pre-paid rent	Pachinko and pachislot machines	Investment properties	Others	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*	*¥ million*
At 1 April 2009	3,206	2,379	1,188	827	5,772	210	2,120	15,702
Business combination *(note 44(a))*	71	—	—	—	68	—	50	189
Credit/(charge) to equity for the year	—	(22)	—	—	—	—	(1)	(23)
Credit/(charge) to profit or loss for the year *(note 11)* — origination and reversal of temporary differences	(4,192)	182	291	123	513	(65)	(148)	(3,296)
At 31 March 2010 and 1 April 2010	(915)	2,539	1,479	950	6,353	145	2,021	12,572
Credit/(charge) to equity for the year	—	(89)	—	—	—	—	12	(77)
Credit/(charge) to profit or loss for the year *(note 11)* — origination and reversal of temporary differences	(952)	179	124	115	714	(23)	(1,103)	(946)
At 31 March 2011 and 1 April 2011	(1,867)	2,629	1,603	1,065	7,067	122	930	11,549
Credit/(charge) to equity for the year	—	82	—	—	—	(2)	3	83
Credit/(charge) to profit or loss for the year *(note 11)* — origination and reversal of temporary differences	(47)	152	18	173	(458)	8	(15)	(169)
— effect of change in tax rate	258	(198)	(81)	(157)	(334)	(16)	(71)	(599)
At 31 March 2012	(1,656)	2,665	1,540	1,081	6,275	112	847	10,864

Company

	Others
	¥ million
Credit/(charge) to profit or loss for the year	
— origination and reversal of temporary differences	(242)
— effect of change in tax rate	5
At 31 March 2012	(237)

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

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Deferred tax assets	13,487	13,416	12,520	—
Deferred tax liabilities	(915)	(1,867)	(1,656)	(237)
	12,572	11,549	10,864	(237)

At 31 March 2010, 2011 and 2012 the Group has unused tax losses of ¥180 million, ¥763 million and ¥1,366 million from some of its subsidiaries available for offset against future profits in these subsidiaries respectively. No deferred tax asset in relation to unused tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of ¥180 million, ¥763 million and ¥1,366 million that will expire during the year from 2018 to 2021 respectively.

40. Other long-term liabilities

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Rental deposits received	124	139	146
Rental receipt in advance	247	208	192
	371	347	338

41. Provisions

Group

	Asset retirement obligation (note a)	Staff vacation payable (note b)	Total
	¥ million	*¥ million*	*¥ million*
At 1 April 2009	2,767	1,192	3,959
Addition provisions	233	104	337
Addition through business combinations *(note 44(a))*	1	13	14
Changes in present value	63	—	63
At 31 March 2010 and 1 April 2010	3,064	1,309	4,373
Addition provisions	182	7	189
Addition through business combinations *(note 44(a))*	—	2	2
Changes in present value	69	—	69
At 31 March 2011 and 1 April 2011	3,315	1,318	4,633
Addition provisions	28	142	170
Changes in present value	70	—	70
At 31 March 2012	3,413	1,460	4,873

Company

Provisions and at 31 March 2012	—	4	4

Analysed as:

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	¥ million	¥ million	¥ million
Current liabilities	1,309	1,318	1,460	4
Non-current liabilities	3,064	3,315	3,413	—
	4,373	4,633	4,873	4

(a) 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.
(b) Staff vacation payable represents leave entitlements of employees.

42. Share capital

For the purpose of the Financial Information, the capital in the combined statements of financial position at 31 March 2010 and 2011 represented the aggregate amount of ¥5,540 million and ¥6,100 million respectively of paid-up capital of Dynam, Dynam Land & Building, Dynam Data Processing, Dynam P Trading, Dynam Advertisement and Shinrainomori.

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

The numbers of the Company's shares authorised and issued as of 31 March 2012 are as follows:

	Number of shares	¥ million
Authorised:		
Ordinary shares	126,000,000	—
Issued and fully paid:		
Issued during the year and at 31 March 2012	31,542,518	5,000

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged during the Track Record Period.

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

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.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

43. Reserves

(a) Group

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

(b) 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 Information.

(ii) Capital reserve

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

(iii) Capital surplus

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

(v) Other capital surplus

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

(vi) Other reserves

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

44. Notes to the combined statements of cash flows

(a) Business combinations (other than common control)

On 1 April 2009 the Group acquired 100% of the issued share capital of Cabin Plaza for a consideration of ¥1,000 million. Cabin Plaza is engaged in the operation of pachinko halls during the Track Record Period.

The fair value of the identifiable assets and liabilities of Cabin Plaza acquired as at its date of acquisition are as follows:

	¥ million
Net assets acquired:	
Property, plant and equipment	619
Available-for-sale financial assets	32
Deferred tax assets	189
Other long-term assets	162
Inventories	71
Prepayments, deposits and other receivables	27
Cash and cash equivalents	921
Trade payables	(4)
Accruals and other payables	(543)
Provisions	(7)
Retirement benefit obligations	(15)
	1,452
Gain on bargain purchase	(452)
Consideration	1,000
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	921

This acquisition increased the Group's revenue and profit by ¥1,374 million and ¥495 million respectively for the year ended 31 March 2010.

On 1 December 2009 the Group acquired 100% of the issued share capital of Daikokuten for a consideration of ¥350 million. Daikokuten is engaged in the operation of pachinko halls during the Track Record Period.

The fair value of the identifiable assets and liabilities of Daikokuten acquired as at its date of acquisition are as follows:

	¥ million
Net assets acquired:	
Property, plant and equipment	532
Other long-term assets	147
Inventories	5
Prepayments, deposits and other receivables	23
Cash and cash equivalents	23
Trade payables	(6)
Accruals and other payables	(53)
Provisions	(7)
	664
Gain on bargain purchase	(314)
Consideration	350
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	23

This acquisition increased the Group's revenue and decreased the Group's profit by ¥64 million and ¥352 million respectively for the year ended 31 March 2010.

On 1 June 2010 the Group acquired 100% of the issued share capital of Okuwa Japan for a consideration of ¥30 million. Okuwa Japan is engaged in the operation of pachinko halls during the Track Record Period.

The fair value of the identifiable assets and liabilities of Okuwa Japan acquired as at its date of acquisition are as follows:

	¥ million
Net liabilities acquired:	
Property, plant and equipment	539
Available-for-sale financial assets	6
Other long-term assets	9
Inventories	24
Prepayments, deposits and other receivables	28
Cash and cash equivalents	279
Trade payables	(64)
Accruals and other payables	(80)
Amount due to related companies	(438)
Borrowings	(307)
Provisions	(2)
Retirement benefit obligations	(1)
	(7)
Goodwill	37
Consideration	30
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	279

The goodwill arising on the acquisition of Okuwa Japan is attributable to the anticipated profitability of its operations of pachinko halls and the anticipated future operating synergies from the combination.

This acquisition increased the Group's revenue and decreased the Group's profit by ¥369 million and ¥479 million respectively for the year ended 31 March 2011.

(b) Material non-cash transactions

Additions to property, plant and equipment of ¥4,008 million, ¥1,296 million and ¥499 million for the years ended 31 March 2010, 2011 and 2012 respectively were financed by finance leases.

45. Financial guarantee liabilities

At the end of each reporting year, the Group and the Company have made guarantees as follows:

	Group			Company
	At 31 March			At 31 March
	2010	2011	2012	2012
	¥ million	*¥ million*	*¥ million*	*¥ million*
Dynam	—	—	—	27,850
Dynam Land & Building	—	—	—	8,000
Genghis Khan Travel	17	17	—	—
	17	17	—	35,850

At the end of each reporting period, the directors do not consider it probable that a claim will be made against the Group under any of the above guarantees. As at 31 March 2010, 2011 and 2012, the maximum liability of the Group at the end of each reporting period under guarantee is ¥10 million, ¥7 million and ¥Nil million respectively.

The fair value of the guarantee to Genghis Khan Travel at date of inception is not material and is not recognised in the financial statements. The fair value of the guarantee to Dynam and Dynam Land & Building is material and is recognised in the financial statements of the Company.

46. Contingent liabilities

At 31 March 2010, 2011 and 2012, the Group did not have any significant contingent liabilities.

As at 31 March 2012, the maximum contingent liability of the Company at the end of reporting period under financial guarantees is ¥23,335 million. The Company did not have any other significant contingent liabilities.

47. Capital commitments

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

	Group		
	At 31 March		
	2010	*2011*	*2012*
	¥ million	*¥ million*	*¥ million*
Contracted but not provided for	3,532	883	218
Approved but not contracted for	—	—	260
	3,532	883	478

48. Lease commitments

(i) Lessee

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Within one year	1,631	1,628	1,550
In the second to fifth years, inclusive	5,600	4,513	3,166
Over five years	997	456	248
	8,228	6,597	4,964

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

(ii) Lessor

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

	Group		
	At 31 March		
	2010	2011	2012
	¥ million	*¥ million*	*¥ million*
Within one year	146	159	166
In the second to fifth years inclusive	584	634	657
After five years	1,171	1,149	1,037
	1,901	1,942	1,860

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 transactions	Year ended 31 March 2010	2011	2012
		¥ million	¥ million	¥ million
Dynam Holdings	Accounting service income	11	27	20
	Dividend income	210	210	105
	Dividend paid	7,245	4,312	6,790
	Interest expense	8	149	81
	Interest income	34	72	46
	Management fee expense	457	514	281
	Messing and staff welfare expenses	▲	1	3
	Miscellaneous income	▲	▲	2
	System usage income	5	6	4
一般財団法人ワンアジア財団 One Asia Foundation* *(note ii)*	Donation	3	—	—
Trusty Power	Accounting service income	3	4	2
	Miscellaneous income	8	10	15
	Recruitment and training expenses	863	756	511
	System usage income	7	18	6
Genghis Khan Travel	Accounting service income	3	3	3
	Messing and staff welfare expenses	—	81	83
	Recruitment and training expenses	13	5	11
	System usage income	2	2	1
	Travel agency charges	4	7	5
Pachinko Leasing	Accounting service income	4	3	3
	Interest expense	4	1	1
	Purchase of pachinko and pachislot machines	—	—	76
	Pachinko machine handling cost	—	108	—
	Rental expense	756	—	—
	Sales of pachinko and pachislot machines	14	52	9
	System usage income	26	7	1
	Others	2	2	4
P Insurance	Accounting service income	3	3	3
	System usage income	—	1	1
P Brand Planning	Accounting service income	3	1	—
	Design fee	55	36	—
	Interest income	1	▲	—
	System usage income	2	1	—

Related company	Type of transactions	Year ended 31 March 2010	2011	2012
		¥ million	¥ million	¥ million
Humap	Accounting service income	45	44	30
	Hall cleaning and ancillary services	4,595	4,207	4,254
	Interest expense	4	—	—
	Messing and staff welfare expenses	5	5	3
	Miscellaneous income	24	26	26
	Office cleaning and ancillary services	1	1	—
	Rental income	151	161	165
	Repair and maintenance fee	2	10	20
	Royalty from coffee wagon license	30	28	27
	Royalty from vending machine license	1	10	26
	Staff cafeteria services	90	51	54
	Supply of general prize	788	602	518
	System usage income	39	37	33
	Utilities charges	130	138	141
Dynam Investment	Accounting service income	6	5	4
	Miscellaneous income	1	1	1
	Rental income	8	8	8
	Rental expense	93	104	116
	System usage income	2	2	1
	Others	5	5	6
Business Partners	Office cleaning and ancillary services	—	▲	9
	Rental income	—	1	5
	System usage income	—	—	1
	Training fee	—	—	30
X-Golf	Advertisement income	—	—	21
	Fees (including rental charges, property management fee and utilities)	—	—	6
	System usage income	—	—	1

(i) Mr. Yoji Sato is interested in this transaction to the extent he is a founder of One Asia Foundation.

(ii) Except Mr. Mitsutoshi Kato and Mr. Thomas Chun Kee Yip, all directors are interested in the above transactions, excluding the transaction with One Asia Foundation, to the extent they are beneficial shareholders of Dynam Holdings.

▲ Less than 0.5.

50. Subsequent financial statements

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2012.

51. Event after the reporting period

Pursuant to the resolutions of the board of the Directors dated 5 June 2012, the Directors approved: (i) the increase of the number of shares authorised to be 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.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong