

Consolidated Balance Sheet

(As of March 31, 2011)

(Unit: million yen)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	45,789	Current liabilities	44,470
Cash and deposits	29,620	Accounts payable-trade	1,332
Accounts receivable-trade	326	Current portion of long-term loans payable	15,909
Gifts and raw materials	4,206	Current portion of bonds	280
Supplies	708	Accounts payable-other	6,750
Deferred tax assets	8,197	Income taxes payable	6,919
Other	2,732	Accrued consumption taxes	842
Allowance for doubtful accounts	-1	Accrued expenses	7,150
Noncurrent assets	114,952	Provision for directors' bonuses	33
Property, plant and equipment	88,851	Provision for loss on disaster	943
Buildings	47,004	Other	4,308
Structures	8,351	Noncurrent liabilities	33,016
Vehicles	0	Bonds payable	710
Tools, furniture and fixtures	17,060	Long-term loans payable	23,187
Land	15,953	Long-term accounts payable-other	3,212
Construction in progress	481	Provision for retirement benefits	1,882
Intangible assets	6,086	Provision for directors' retirement benefits	416
Leasehold right	4,314	Asset retirement obligations	3,212
Other	1,772	Other	394
Investments and other assets	20,014	Total liabilities	77,487
Investment securities	524	Net assets	
Stocks of subsidiaries and affiliates	2,714	Shareholders' equity	83,260
Investments in capital	119	Capital stock	5,000
Long-term loans receivable	140	Capital surplus	1,035
Long-term construction assistance fund receivables	560	Retained earnings	81,301
Long-term prepaid expenses	3,134	Treasury stock	-4,075
Noncurrent assets for rent	1,320	Valuation and translation adjustments	-6
Guarantee deposits	6,541	Valuation difference on available-for-sale securities	-6
Deferred tax assets	4,371	Total net assets	83,254
Other	603	Total liabilities and net assets	160,741
Allowance for doubtful accounts	-15		
Total assets	160,741		

Consolidated Statement of Income
From April 1, 2010 to March 31, 2011

(Unit: million yen)

Account	Amount	
Net sales		866,886
Cost of sales		696,011
Gross profit		170,875
Selling, general and administrative expenses		142,170
Operating income		28,704
Non-operating income		
Interest income and dividends income	95	
Rent of real estate	630	
Gain on recycle cards received	268	
Other	224	1,218
Non-operating expenses		
Interest expenses	1,426	
Expenses of real estate rent	285	
Commission for syndicate loan	798	
Other	33	2,544
Ordinary income		27,378
Extraordinary income		
Gain on sales of noncurrent assets	6	
Gain on adjustment for loss on valuation of noncurrent assets for prior periods	1,478	
Gain on adjustment for real estate acquisition tax for prior periods	109	1,593
Extraordinary loss		
Loss on valuation of noncurrent assets	1,783	
Loss on sales of noncurrent assets	7	
Loss on retirement of noncurrent assets	90	
Loss on redemption of investment securities	110	
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,296	
Impairment loss	655	
Loss on disaster	193	
Provision for loss on disaster	943	
Other	54	5,136
Income before income taxes and minority interests		23,836
Income taxes-current	11,403	
Income taxes for prior periods	696	
Income taxes-deferred	-1,631	10,468
Net income		13,368

Consolidated Statement of Changes in Net Assets

From April 1, 2010 to March 31, 2011

(Unit: million yen)

Items	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2010	5,000	995	72,194	- 3,925	74,264
Changes of items during the consolidated period					
Dividends from surplus			- 2,519		- 2,519
Net income			13,368		13,368
Change of scope of consolidation			- 1,742		- 1,742
Purchase of treasury stock				- 274	- 274
Disposal of treasury stock		39		124	164
Net changes of items other than shareholders' equity					-
Total changes of items during the consolidated period	-	39	9,106	- 150	8,995
Balance as of March 31, 2011	5,000	1,035	81,301	- 4,075	83,260

Items	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at March 31, 2010	11	- 6	5	74,270
Changes of items during the consolidated period				
Dividends from surplus				- 2,519
Net income				13,368
Change of scope of consolidation				- 1,742
Purchase of treasury stock				- 274
Disposal of treasury stock				164
Net changes of items other than shareholders' equity	- 17	6	- 11	- 11
Total changes of items during the consolidated period	- 17	6	- 11	8,985
Balance as of March 31, 2011	- 6	-	- 6	83,254

Notes to Consolidated Financial Statements

Significant accounting policies

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries 6

Names of major consolidated subsidiaries

DYNAM Co., Ltd.

Following the acquisition of the all shares of Okuwa Japan Co., Ltd. on June 1, 2010, the Company has included Okuwa Japan Co., Ltd. in the scope of its consolidated subsidiaries from the consolidated fiscal year under review. The deemed acquisition date is June 30, 2010.

(2) Unconsolidated subsidiaries

Names of major unconsolidated subsidiaries

Dynam Sogo Investment Co., Ltd. and other companies

Reasons for the exclusion from consolidation

PACHINKO Leasing Co., Ltd., which was the Company's consolidated subsidiary as at the end of the previous consolidated fiscal year, has been excluded from the scope of consolidation from the consolidated fiscal year under review, because its importance in the consolidated financial statements declined.

All unconsolidated subsidiaries are small in scale, and their total assets, net sales, net income (the share allocated under the equity method), and retained earnings (the share allocated under the equity method) do not have a significant impact on the Company's consolidated financial statements.

2. Equity method

(1) Unconsolidated subsidiaries and affiliates accounted for by the equity method

Number of unconsolidated subsidiaries and affiliates accounted for by the equity method Zero

(2) Unconsolidated subsidiaries and affiliates not accounted for by the equity method

Names of major companies Dynam Sogo Investment Co., Ltd. and other companies

Reasons for not being accounted for by the equity method

Considering the size of net income (the share allocated under the equity method) and retained earnings (the share allocated under the equity method) of the above companies, the impact on the Company's consolidated financial statements from such companies not accounted for by the equity method is negligible. Because their overall importance is also low, the above companies have not been accounted for by the equity method.

3. Accounting period of consolidated subsidiaries

Accounting period of consolidated subsidiaries The last date of the accounting period of all consolidated subsidiaries is the same as the consolidated settlement date.

4. Significant accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Stocks of subsidiaries and affiliates Stocks of subsidiaries and affiliates are stated at cost, determined by the moving-average method.

Other securities

Marketable securities

Marketable securities classified as other securities are stated at fair value on the settlement date with any changes in unrealized holding gain or loss, net of applicable income taxes, directly included in net assets. The cost of securities sold is calculated

using the moving average method.

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|---------------------------|---|
| Non-marketable securities | Non-marketable securities classified as other securities are stated at cost determined by the moving average method. |
| (ii) Derivatives | Derivatives are stated at fair value. |
| (iii) Inventories | |
| Gifts | Gifts are stated at cost determined by the gross average method. (The cost of gifts is written-down when the carrying amount is unrecoverable.) |
| Raw materials | Raw materials are stated at cost determined by the last cost method. (The cost of raw materials is written down when the carrying amount is unrecoverable.) |
| Supplies | Supplies are stated at cost determined by the last cost method. (The cost of supplies is written down when the carrying amount is unrecoverable.) |
- (2) Depreciation and Amortization of Fixed Assets
- | | |
|-------------------------------------|--|
| (i) Property, plant and equipment | |
| Game machines | Game machines are fully depreciated when they become operational. |
| Other property, plant and equipment | Depreciation of other property, plant and equipment is calculated by the declining-balance method. (Depreciation of buildings (excluding buildings and accompanying facilities) that were acquired on or after April 1, 1998 is calculated by the straight-line method.)
Main useful lives are as follows:
Buildings: Between 15 and 22 years
Structures: Between 10 and 20 years |
| (ii) Intangible assets | Amortization of intangible assets is calculated using the straight-line method.
Amortization of software for internal use is calculated using the straight-line method over the estimated useful lives (5 years).
For business leaseholds, the straight-line method is used based on the leasehold term. |
| (iii) Fixed assets for rent | Depreciation of fixed assets for rent is calculated by the declining-balance method. (Depreciation of buildings that are included in fixed assets for rent (excluding buildings and accompanying facilities) that were acquired on or after April 1, 1998) is calculated by the straight-line method.) |
| (iv) Long-term prepaid expenses | Depreciation of long-term prepaid expenses is calculated evenly over the period. |
- (3) Accounting for deferred charges
- | | |
|---------------------|---|
| Bond issuance costs | Bond issuance costs are fully charged to income when they are paid. |
|---------------------|---|
- (4) Basis for reserves
- | | |
|---|---|
| (i) Allowance for doubtful accounts | To provide for a possible loss on notes and accounts receivable-trade, loans receivable, and other claims, an allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectibility of receivables from companies in financial difficulty. |
| (ii) Provision for directors' bonuses | To provide for directors' bonuses, a provision for directors' bonuses is made based on an estimate of bonuses payable for the consolidated fiscal year under review. |
| (iii) Provision for retirement benefits | To provide for employees' retirement benefits, a provision for retirement benefits is made based on an estimate of retirement benefit obligations as at the end of the consolidated fiscal year under review. The actuarial gain or loss is amortized in the |

- consolidated fiscal year following the year in which the gain or loss is recognized.
- (iv) Provision for directors' retirement benefits To provide directors' retirement benefits, the provision for retirement benefits is provided based on an estimate of retirement benefits payable based on the Company's internal regulations as at the end of the fiscal year.
 - (v) Provision for loss on disaster To facilitate repair work for stores and other facilities that were damaged by the Great East Japan Earthquake, a provision for loss on disaster is provided based on estimated repair expenses for individual stores and facilities.
- (5) Significant hedge accounting
- (i) Hedge accounting Primarily, deferred hedge accounting is applied for derivative instruments. Special treatment is applied for interest rate swaps that qualify for such treatment.
 - (ii) Hedging instruments and hedged items The interest expenses of long-term loans payable with variable interest rates, the hedging item, are hedged through interest rate swap transactions, the hedging instrument.
 - (iii) Hedging policy As part of financial risk management measures, to reduce the risks of interest rate fluctuations, the Company uses derivatives transactions to hedge the above risks.
 - (iv) Assessment of hedge effectiveness The Company assesses the effectiveness of hedging by comparing the overall fluctuations of interest rates of loans payable and those of interest swap transactions during the period from the time of entering hedging transactions to the time of judging their effectiveness. The assessment of the hedge effectiveness for interest swaps based on special treatment has been omitted.
- (6) Other significant accounting policies
- (i) Accounting for consumption taxes Transactions subject to consumption tax or local consumption tax are recorded at amounts exclusive of consumption tax or local consumption tax.
 - (ii) Accounting for merchandise received The Company regards saved balls (balls that players keep at the end of their play, registering the number in the member cards, instead of changing them to gifts on the same day, and use to exchange with gifts or play again subsequently) as gifts undelivered or received temporarily. Consequently, it records saved balls in "Other" in current liabilities based on the gift cost rate.
 - (iii) Accounting for lease transactions For leases entered into before the commencement of the first year when the revised Accounting Standards for Lease Transaction became effective, and leases other than those in which the ownership rights of the leased property are deemed to transfer to the lessee, an accounting method that is used for ordinary rental transactions is used.
5. Changes in accounting policies
- (1) Application of the Accounting Standards for Asset Retirement Obligations
- The Accounting Standards for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008) were applied from the consolidated fiscal year under review.
- As a result, compared with the figures calculated by the previous methods, ordinary income declined 197 million yen, and income before income taxes fell 1,494 million yen.
- (2) Changes in the accounting standards for cost of sales
- Until the previous fiscal year, the Company adopted a method in which all expenses related to store operations, including labor cost, and expenses related to game machines and store facilities, in

addition to the cost of gifts, were included in cost of sales. However, the Company now believes that the Company's actual position is better represented by a method in which expenses related to store operations are included in selling, general and administrative expenses, based on the assumption that cost of sales that respond to net sales that are recorded in accordance with the number of rented game balls shall only be the cost of gifts sold. For this reason, from the fiscal year under review, the Company adopted a method in which the cost of gifts is only the item that is included in cost of sales. As a result, compared with the figures based on the previous method, gross profit rose 120,126 million yen. There is no impact on operating income, ordinary income or income before income taxes from this change.

6. Valuation of assets and liabilities of consolidated subsidiaries

Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of consolidated subsidiaries are carried at fair value at the time of acquisition.
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Notes to Consolidated Balance Sheets

1. Assets pledged as collateral and liabilities secured by the collateral

(1) Assets pledged as collateral

Buildings	8,048	million yen
Structures	317	million yen
Land	11,652	million yen
Noncurrent assets for rent	2	million yen
Guarantee deposits	289	million yen
Long-term construction assistance fund receivables	302	million yen
Total	<u>20,610</u>	million yen

Liabilities secured by the collateral

Long-term loans payable (including current portion of long-term loans payable)	20,147	million yen
Total	<u>20,147</u>	million yen

(2) Assets, other than the assets described above, pledged as collateral

Investment securities	10	million yen
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Accumulated depreciation of property, plant and equipment and property, plant and equipment that are held

2. as investments

(including accumulated impairment loss)

Property, plant and equipment	87,563	million yen
Investments and other assets		
Noncurrent assets for rent	1,291	million yen
Total	<u>88,854</u>	million yen

3. Guarantees

The Company provides guarantees to other companies for their borrowings from financial institutions and other institutions.

DYNAM Co., Ltd.	31,650	million yen
DYNAM Land & Building Co., Ltd.	7,135	million yen
Genghis Khan Travel Co., Ltd.	17	million yen
Total	<u>38,803</u>	million yen

4. Asset retirement obligations

Asset retirement obligations that are recorded in the balance sheets

(1) Outline the subject asset retirement obligations

The subject asset retirement obligations include the restoration to original state in accordance with the real estate lease contracts for stores and other facilities and the contract of fixed term land leasehold.

(2) Calculation method of the amount of the subject asset retirement obligations

The amount of the subject asset retirement obligations is calculated based on the estimated use periods of between 7 years and 30 years in accordance with the relevant contract periods by applying yields of interest-bearing government bonds of between 0.845% and 2.31% in accordance with the contract periods.

(3) Changes in total subject asset retirement obligations during the fiscal year under review

Outstanding balance as at the beginning of the fiscal year under review (Note)	3,012	million yen
Changes as a result of the acquisition of property, plant and equipment:	134	million yen
Adjustment due to the passing of time:	66	million yen
Changes from the implementation of asset retirement obligations:	-	million yen
Outstanding balance as at the end of the fiscal year under review:	<u>3,212</u>	<u>million yen</u>

(Note) The outstanding balance as at the beginning of the fiscal year under review after the application of the Accounting Standards for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008) from the fiscal year under review

Notes to Consolidated Statements of Income

1. Loss on valuation of noncurrent assets

The loss on valuation of noncurrent assets is an unrealized loss on trading of land and buildings among consolidated subsidiaries.

2. Impairment loss

(Unit: million yen)

Location	Usage	Type	Impairment loss
Shibata City, Niigata prefecture	Pinball game hall	Buildings, etc.	20
Natori City, Miyagi Prefecture	Pinball game hall	Buildings, etc.	99
Sapporo City, Hokkaido	Pinball game hall	Buildings, etc.	184
Tokamachi City, Niigata prefecture	Pinball game hall	Buildings, etc.	213
Kofu City, Yamanashi prefecture	Pinball game hall	Buildings, etc.	138

The Company bases its grouping on stores, the smallest units that generate cash flows. In the consolidated fiscal year under review, the decrease for the current term was recorded in extraordinary losses as an impairment loss by reducing the book value of the asset group of stores whose earnings from operating activities were negative for successive fiscal years to the collectable amount.

The collectable amount is based on the use value. However, because future cash flows cannot be expected, the amount was evaluated at zero.

Notes to Consolidated Statements of Changes in Net Assets

1. Shares and treasury stocks issued and outstanding

	Number of shares/stocks at the end of the prior consolidated fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Number of shares/stocks at the end of the current consolidated fiscal year (thousand shares)
Shares issued Common stock	36,363	-	-	36,363
Treasury stocks Common stock	4,822	140	73	4,889

2. Dividends from surplus

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (Yen)	Base date	Effective date
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Meeting of Board of Directors held on June 7, 2010	Common stock	1,366	40.00	March 31, 2010	June 18, 2010
Meeting of Board of Directors held on November 25, 2010	Common stock	1,363	40.00	September 30, 2010	December 17, 2010

(2) Dividends, whose base date was in the consolidated fiscal year ended March 31, 2011, and the effective date of which will be in the year ending March 31, 2012

Resolution	Type of shares	Dividend resource	Total dividends (million yen)	Dividends per share (Yen)	Base date	Effective date
Meeting of Board of Directors held on June 6, 2011	Common stock	Retained earnings	1,364	40.00	March 31, 2011	June 17, 2011

Notes to Financial Instruments

1. Status of financial instruments

The DYNAM Group's fund management is primarily limited to deposits, excluding certain securities, and it raises funds through borrowings from banks and other financial institutions.

Securities are exchangeable bonds, which are held because of business relationships with the issuers of such securities. Most investment securities are stocks, which are also held because of business relationships with the issuers of such securities. The fair value of the above instruments, which are exposed to risks of fluctuations in market prices, is reported to management on a regular basis.

Short-term loans payable are primarily used as working capital, and long-term loans payable are used as funds for capital spending. To avoid adverse fluctuations in interest rates and to fix interest expenses, the Group uses interest rate swaps transactions for certain long-term loans payable as hedging. In accordance with the internal control rules, the approval of the Board of Directors is obtained when derivatives transactions are executed. Moreover, to reduce credit risks, the Group only enters into such transactions with financial institutions with high credit ratings.

2. Fair value of financial instruments

The following table indicates the amount recorded in the consolidated balance sheets, the fair value and the difference as of March 31, 2011 (the settlement date for the consolidated fiscal year under review).

(Unit: million yen)

	Amount recorded in the consolidated balance sheets (*)	Fair value (*)	Difference
(1) Cash and deposits	29,620	29,620	-
(2) Investment securities			
Available-for-sale securities	434	434	-
(3) Current portion of long-term loans payable	(15,909)	(15,909)	-
(4) Current portion of bonds	(280)	(280)	-
(5) Bonds	(710)	(708)	- 1
(6) Long-term loans payable	(23,187)	(22,634)	- 553
(7) Derivatives transactions	-	-	-

(*) Figures presented in brackets are those recorded in liabilities.

(Note 1) Method of calculation of the fair value of financial instruments and matters relating to securities and derivative transactions

(1) Cash and deposits

The fair value is calculated based on the book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(2) Investment securities

The fair value of stocks and securities is determined using the prices quoted on the stock exchange.

(3) Current portion of long-term loans payable, and (4) Current portion of bonds

The fair value is calculated based on book value, as these assets are settled within a short time and the fair value is almost equal to the book value.

(5) Bonds

The fair value of bonds issued by the DYNAM Group is calculated based on the value estimated by discounting the total principal and interest, using discount rates which would be applicable for the issuance of similar new bonds.

(6) Long-term loans payable

The fair value of long-term loans payable is calculated based on the value estimated by discounting the total principal and interest, using discount rates that would be applicable for similar new borrowings. The fair value of long-term loans payable with variable interest rates, to which the special treatment of interest rate swaps are applied, is calculated based on the value estimated by discounting the total principal and interest that take into account the effects of the relevant interest rate swaps, using reasonably estimated discount rates that would be applicable for similar new borrowings.

(7) Derivatives transactions

Derivatives transactions, to which the special treatment of interest rate swaps are applied, are treated as part of hedged long-term loans payable. For this reason, their fair values are included in the fair value of the relevant long-term loans payable.

(Note 2) Unlisted stocks of 90 million yen recorded in the consolidated balance sheets are not included in “(2) Investment securities, Available-for-sale securities” as it is deemed difficult to measure the fair value of such stocks because they are nonmarketable and future cash flows cannot be estimated.

Notes to Business Combination

(Acquisition of companies through the stock acquisition)

- Names and businesses of companies acquired, main reasons for the business combination, the business combinations date, legal format of the business combination, names of the companies after the business combination, the ratio of voting rights acquired, and the principal factors that made the Group decide to acquire the companies

(1) Names and businesses of the companies acquired

Names of the companies acquired	Details of businesses
Okuwa Japan Co., Ltd.	Management pinball game halls

(2) Main reasons for the business combination

Expansion of the pinball game business in Mie City

(3) Business combinations date

July 1, 2010

(4) Legal format of the business combination

Stock acquisition

(5) Names of the companies after the business combination

Unchanged

(6) Ratio of voting rights acquired

100%

(7) Main factors that made the Group decide to acquire the companies

The Company acquired the relevant stocks in cash.

2. Fiscal year of the acquired companies that are included in the consolidated financial statements

Okuwa Japan Co., Ltd. From July 1, 2010 to March 31, 2011

3. Acquisition costs of the acquired companies and their details

Okuwa Japan Co., Ltd.	Acquisition consideration	Cash	30	million yen
	Expenses directly required for the acquisition		7	million yen
	Acquisition costs		37	million yen

4. Amount of goodwill incurred, reasons for recording goodwill, the method and the term of amortization

(1) Amount of goodwill

Okuwa Japan Co., Ltd. 172 million yen

(2) Reasons for recording goodwill

Excessive earning capabilities that are expected to be obtained with the expansion of operations

(3) Method and the term of amortization

The subject goodwill was amortized entirely in the consolidated fiscal year under review, because its monetary significance was negligible.

5. Assets and liabilities received on the business combination date and their details

Okuwa Japan Co., Ltd.

Assets		
Current assets	107	million yen
Noncurrent assets	470	million yen
<u>Total assets</u>	<u>577</u>	<u>million yen</u>
Liabilities		
Current liabilities	116	million yen
Noncurrent liabilities	597	million yen
<u>Total liabilities</u>	<u>713</u>	<u>million yen</u>

6. Estimated amount that would have impacted on the consolidated statements of income for the consolidated fiscal year under review, assuming that the business combination was completed on the first date of the consolidated fiscal year under review

Because the impact on the consolidated statements of income was negligible, the presentation of the details was omitted.

(Note) The Company did not obtain an audit certificate for the calculation of the above estimated amount.

Notes to Amounts per Share

1. Net assets per share	¥2,645.13
2. Net income per share	¥424.69

Notes to Significant Subsequent Events

Not applicable