

Financial Statements for the 43rd Term

From April 1, 2009 to March 31, 2010

Balance Sheet

Statement of Income

Statement of Changes in Net Assets

Notes to Financial Statements

DYNAM Co., Ltd.

2-27-5 Nishinippori, Arakawa-ku, Tokyo

Representative Director, Kohei Sato

Balance Sheet

As of March 31, 2010

(Unit: million yen)

Account	Amount
Assets	
Current assets	【 38,612 】
Cash and deposits	21,689
Accounts receivable-trade	341
Securities	389
Gifts	4,435
Supplies	1,621
Advance payments-trade	42
Prepaid expenses	1,692
Accounts receivable-other	190
Short-term loans receivable	121
Deferred tax assets	7,829
Other	259
Allowance for doubtful accounts	△2
Noncurrent assets	【 107,358 】
Property, plant and equipment	【 80,082 】
Buildings	40,664
Structures	8,563
Vehicles	0
Tools, furniture and fixture	16,899
Land	11,635
Construction in progress	2,319
Intangible assets	【 6,309 】
Leasehold right	4,402
Telephone subscription right	77
Software	1,399
Other	430
Investments and other assets	【 20,965 】
Investment securities	247
Stocks of subsidiaries and affiliates	4,837
Investments in capital	116
Investments in capital of subsidiaries and affiliates	1
Long-term loans receivable	173
Long-term construction assistance fund receivables	607
Long-term prepaid expenses	3,248
Noncurrent assets for rent	1,809
Guarantee deposits	6,326
Deferred tax assets	2,803
Other	809
Allowance for doubtful accounts	△13
Total assets	145,970

Account	Amount
Liabilities	
Current liabilities	[50,465]
Accounts payable-trade	1,502
Short-term loans payable	4,500
Current portion of long-term loans payable	18,775
Current portion of bonds	2,750
Accounts payable-other	7,600
Income taxes payable	1,831
Accrued consumption taxes	1,436
Accrued expenses	6,626
Deposits received	2,809
Merchandise received	2,568
Provision for directors' bonuses	15
Other	49
Noncurrent liabilities	[28,822]
Long-term loans payable	24,141
Long-term accounts payable-other	2,473
Provision for retirement benefits	1,500
Provision for directors' retirement benefits	278
Other	428
Total liabilities	79,287
Net assets	
Shareholders' equity	[66,677]
Capital stock	[5,000]
Capital surplus	[40]
Other capital surplus	40
Retained earnings	[61,637]
Legal retained earnings	1,232
Other retained earnings	60,404
General reserve	50,000
Retained earnings brought forward	10,404
Valuation and translation adjustments	[4]
Valuation difference on available-for-sale securities	[11]
Deferred gains or losses on hedges	[△6]
Total net assets	66,682
Total liabilities and net assets	145,970

Statement of Income

From April 1, 2009 to March 31, 2010

(Unit: million yen)

Account	Amount	
Net sales		857,139
Cost of sales	805,907	
Gross profit		51,231
Selling, general and administrative expenses	17,752	
Operating income		33,479
Non-operating income		
Interest income and dividends income	292	
Rent of real estate	820	
Gain on recycle cards received	267	
Miscellaneous income	285	1,666
Non-operating expenses		
Interest expenses	1,762	
Interest on bonds	59	
Expenses of real estate rent	360	
Commission for syndicate loan	829	
Expenses for stores to be opened	10	
Miscellaneous expenses	20	3,043
Ordinary income		32,102
Extraordinary income		
Gain on valuation of derivatives	4	4
Extraordinary loss		
Loss on sales of noncurrent assets	10,237	
Loss on retirement of noncurrent assets	82	
Impairment loss	161	
Loss on valuation of derivatives	11	
Bad debts expenses	58	
Other	3	10,554
Income before income taxes		21,552
Income taxes-current	9,041	
Income taxes-deferred	△133	8,908
Net income		12,644

Statement of Changes in Net Assets

From April 1, 2009 to March 31, 2010

(Unit: million yen)

Items	Shareholders' equity							Total shareholders' equity
	Capital stock	Capital surplus		Legal Retained earnings	Other retained earnings		Total Retained earnings	
		Other Capital surplus	Total Capital surplus		General reserve	Retained Earnings Brought forward		
Balance at March 31, 2009	5,000	40	40	516	50,000	5,639	56,155	61,196
Changes of items during the period								
Dividends from surplus						△ 7,162	△ 7,162	△ 7,162
Provision of legal retained earnings				716		△ 716	-	-
Net income						12,644	12,644	12,644
Net changes of items other than shareholders' equity								-
Total changes of items during the period	-	-	-	716	-	4,765	5,481	5,481
Balance as of March 31, 2010	5,000	40	40	1,232	50,000	10,404	61,637	66,677

(Unit: million yen)

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, 2009	10	△32	△22	61,173
Changes of items during the period				
Dividends from surplus				△7,162
Provision of legal retained earnings				-
Net income				12,644
Net changes of items other than shareholders' equity	0	26	27	27
Total changes of items during the period	0	26	27	5,509
Balance as of March 31, 2010	11	△6	4	66,682

Notes to Financial Statements
(From April 1, 2009 to March 31, 2010)

Significant Accounting Policies

1. Valuation Standards and Methods for Assets

(1) Valuation standards and methods for securities

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

Other securities

- (i) 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.
- (ii) Non-marketable securities --- Non-marketable securities classified as other securities are stated at cost determined by the moving average method.

(2) Valuation standards and methods for derivatives

Derivatives are stated at fair value.

(3) Valuation standards and methods for inventories

- (i) Gifts --- Gifts are stated at cost determined by the gross average method. (The cost of gifts is written-down when carrying amount is unrecoverable.)
- (ii) 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

(1) Property, plant and equipment

- (i) Game machines --- Game machines are fully depreciated when they become operational.
- (ii) 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.

(2) Intangible fixed assets --- Amortization of intangible fixed 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.

(3) 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.

3. Basis for Reserves

- (1) 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.
- (2) Provision for directors' bonuses --- To provide for directors' bonuses, a provision for directors' bonuses is provided based on an estimate of bonuses payable for the fiscal year under review.
- (3) Provision for retirement benefits --- To provide for employees' retirement benefits, a provision for retirement benefits is provided based on an estimate of retirement benefit obligations as the end of the fiscal year under review.

The actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized.

(Changes in accounting policies)

Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, July 31, 2008) have been applied from the fiscal year under review.

Because the actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, the above changes do not impact operating income, ordinary income or income before income taxes.

The outstanding balance of the unadjusted difference of retirement benefits obligations incurred following the application of the accounting standards above was 74 million yen.

- (4) 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 the end of the fiscal year.

4. Other Significant Accounting Policies

- (1) Cash management system (CMS)

Short-term loans receivable of 61 million yen and deposits received of 1,608 million yen were included the balance sheets as the inter-group loans associated with the adoption of the cash management system in an effort to bolster the efficiency in the use of the Group's funds,

- (2) Accounting for lease transactions

Finance leases, except those in which the ownership of the property transfers to the lessee, concluded prior to the commencement of the first year of the application of the Accounting Standard for Lease Transaction (ASBJ Statement No. 13) are accounted for based on the method associated with ordinary rental transactions.

- (3) Hedge accounting

Deferred hedge accounting is applied for derivatives instruments.

The Company uses interest rate swaps to hedge the risk of changes in interest rates for repayments of borrowings based on variable interest rates. Special treatment is applied to interest rate swaps that qualify for such treatment.

- (4) 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.

5. Changes in Presentation

Merchandise received that was included in Other of Current Liabilities in the previous fiscal year is presented separately in the fiscal year under review. Merchandise received that was included in Other of Current Liabilities in the previous fiscal year was 2,170 million yen.

Notes to Balance Sheets

1. Assets pledged as collateral:

(1) Assets pledged as collateral:

Buildings	5,498 million yen
Structures	131 million yen
Land	5,924 million yen
Construction assistance fund receivables	333 million yen
Guarantee deposits	349 million yen
Noncurrent assets for rent	2 million yen
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Total	12,239 million yen

(2) Liabilities secured by the above collateral

Short-term loans payable	400 million yen
Long-term loans payable	20,065 million yen
(including current portion of long-term loans payable)	
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Total	20,465 million yen

2. Accumulated depreciation (including accumulated impairment loss)

Property, plant and equipment	71,443 million yen
Investments and other assets	
(Noncurrent assets for rent)	1,522 million yen

3. Guarantees

Guarantees	17 million yen
Guarantees are provided to Genghis Khan Travel Co., Ltd.	

4. Accounts receivable from and accounts payable to subsidiaries and affiliates

Short-term accounts receivable	9 million yen
Short-term accounts payable	297 million yen

5. Stocks of the parent company of 4,837 million yen are recorded in stocks of subsidiaries and affiliates of investments and other assets.

Notes to Statements of Income

1. Transactions with subsidiaries and affiliates

Operating transactions

Selling, general and administrative expenses	456 million yen
Transactions other than operating transactions	250 million yen

2. Impairment loss

(Unit: million yen)

Location	Usage	Type	Impairment loss
Tsuruoka City, Yamagata Prefecture	Idle assets	Land	135
Kosuge Mura, Kitatsurugun, Yamanashi Prefecture	Idle assets	Land	26

The Company bases its grouping on stores, the smallest units that generate cash flows. It bases the grouping of idle assets on each property

The Company reduced the book value of the above properties to the recoverable value, and recorded impairment loss as extraordinary loss.

The recoverable value was measured with their net sale value, which was estimated based on an appraisal value for the idle assets that was assessed by third parties who are professional property appraisers.

Notes to Statements of Changes in Net Assets

1. Shares issued and outstanding

	Number of shares at the end of the prior fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Number of shares at the end of the current fiscal year (thousand shares)
Shares issued: Common stock	32,556	—	—	32,556

2. Dividends from surplus

(1) Dividends paid

Dividends paid that were determined by the resolution of the meeting of Board of Directors held on June 8, 2009

Total dividends	1,627 million yen
Dividends per share	50.00 yen
Base date	March 31, 2009
Effective date	June 26, 2009

(2) Dividends paid

Dividends paid that were determined by resolution of a meeting of Board of Directors held on November 19, 2009

Total dividends	1,627 million yen
Dividends per share	50.00 yen
Base date	September 30, 2009
Effective date	December 15, 2009

(3) Dividends paid

Dividends paid that were determined by the resolution of the meeting of Board of Directors held on March 18, 2010

Total dividends	3,906 million yen
Dividends per share	120.00 yen
Effective date	March 19, 2010

(4) Dividends, whose base date was in the year ended March 31, 2010, and the effective date of which will be in the year ending March 31, 2011

The Board of Directors expects to resolve the items below at a meeting to be held on June 4, 2010.

Total dividends	1,627 million yen
Dividend resource	Retained earnings
Dividends per share	50.00 yen
Base date	March 31, 2010
Effective date	June 16, 2010

Notes to Tax Effect Accounting

Significant components of deferred tax assets

(1) Current assets

Deferred tax assets		
Accrued enterprise tax	212	million yen
Accrued bonuses	1,493	million yen
Disallowed merchandise received	1,027	million yen
Depreciation that exceeded the limit for (pinball) game machines	5,069	million yen
Other	27	million yen
Total deferred tax assets	<u>7,829</u>	<u>million yen</u>

(2) Noncurrent assets

Deferred tax assets		
Provision for retirement benefits	600	million yen
Provision for Directors' retirement benefits	111	million yen
Loss on valuation of investment securities	253	million yen
Impairment loss	960	million yen
Depreciation that exceeded the limit for (pinball) game machines	1,221	million yen
Depreciation that exceeded the limit for noncurrent assets	746	million yen
Deferred losses on hedges	4	million yen
Other	8	million yen
Subtotal deferred tax assets	<u>3,907</u>	<u>million yen</u>
Valuation allowance	<u>-1,094</u>	<u>million yen</u>
Total deferred tax assets	<u>2,813</u>	<u>million yen</u>
Deferred tax liabilities		
Deemed loss on sales of stocks of the parent company	-2	million yen
Valuation difference on available-for-sale securities	-7	million yen
Total deferred tax liabilities	<u>-9</u>	<u>million yen</u>
Net deferred tax assets	<u>2,803</u>	<u>million yen</u>

Notes to the Use of Leased Noncurrent Assets

In addition to noncurrent assets recorded in the balance sheets, some of the tools, furniture and fixtures are used based on the lease contract.

Notes to Financial Instruments

1. Status of financial instruments

The Company's fund management is primarily limited to deposits, excluding certain securities, and its policy is to raise funds through borrowings from banks. The use of derivatives is limited to hedge risks of fluctuations in interest rates of loans payable. The Company does not use derivatives for speculative trading.

Of securities, stocks are exposed to adverse fluctuations in market prices. However, these stocks are held due to business relationships with the issuers of such stocks. Securities are exchangeable bonds, which are also exposed to risks of fluctuations in market prices. These securities, however, are also held due to business relationships with the issuers of such securities. The fair value of the above instruments is reported to management on a regular basis.

All operating accounts payable are due in one year or less.

Of loans payable, short-term loans payable were raised mainly to finance the payments of taxes and bonuses. Long-term loans payable, meanwhile, were raised mainly for capital spending. Loans payable with variable interest rates are exposed to adverse fluctuations in interest rates. To avoid adverse fluctuations in interest rates and to fix expenses, the Company uses interest rate swaps transactions for each loan contract as hedging.

The approval of the Board of Directors is obtained when derivatives transactions are executed. To reduce credit risks, the Company only enters into such transactions with financial institutions with high credit ratings.

It also manages liquidity risks of operating debt and loans payable by preparing monthly funding plans and other measures.

2. Fair value of financial instruments

The following table indicates the amount recorded in the balance sheets, the fair value and the difference as of March 31, 2010 (the Company's settlement date).

(Unit: million yen)

	Amount recorded in the balance sheets (*)	Fair value (*)	Difference
(1) Cash and deposits	21,689	21,689	—
(2) Securities and investment securities			
Available-for-sale securities	546	546	—
(3) Accounts payable	(7,600)	(7,600)	—
(4) Short-term loans payable	(4,500)	(4,500)	—
(5) Current portion of long-term loans payable	(18,775)	(18,775)	—
(6) Current portion of bonds	(2,750)	(2,750)	—
(7) Long-term loans payable	(24,141)	(23,684)	(-457)
(8) Derivatives transactions	(10)	(10)	—

(※) 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) Securities and investment securities

The fair value of stocks is based on the prices traded at the stock exchange. The fair value of bonds is based on the prices indicated by financial institutions from which the bonds were acquired.

(3) Accounts payable, (4) Short-term loans payable, (5) Current portion of long-term loans payable, and (6) 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.

(7) Long-term loans payable

The fair value 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, 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.

(8) 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. The fair value of derivatives transactions to which the principle treatment is applied is based on the prices indicated by the relevant financial institutions

(Note 2) Unlisted stocks of 90 million yen recorded in the balance sheets are not included in (2) Securities and 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.

(Additional information)

Effective from the fiscal year under review, the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008) have been applied.

Notes to Transactions with related parties

(1) Parent company and main corporate shareholders

(Unit: million yen)

Type	Name of the company	Share of voting rights (held)	Relationships with the related party	Details of transactions	Transaction amount	Account	Outstanding balance as at the end of the fiscal year
Parent company	DYNAM Holdings Co., Ltd.	7.2% (100%)	Loans	Collection of loans (Note 1) Receipt of interest (Note 1)	1,800 33	—	—

Trading conditions and policies to determine trading conditions

(Note 1) Interest rates of loans are determined in a reasonable manner at meetings of the Board of Directors by taking market interest rates into account.

(Note 2) The transaction amount does not include consumption taxes.

(2) Fellow subsidiaries

(Unit: million yen)

Type	Name of the company	Share of voting rights (held)	Relationships with the related party	Details of transactions	Transaction amount	Account	Outstanding balance as at the end of the fiscal year
Subsidiary of the parent company	HUMAP Japan Co., Ltd.	Not applicable	Real estate leasing	Leasing of real estate (Note 1)	286	Current liabilities, Other	1
Subsidiary of the parent company	DYNAM Land & Building Co., Ltd.	Not applicable	Transfer of real estate	Transfer of stores (Note 2) Loss on sales (Note 2)	7,698 10,237	—	—

Trading conditions and policies to determine trading conditions

(Note 1) Trading conditions for real estate leasing are determined based on the real estate appraisal value in the same manner as general trading conditions.

(Note 2) Transfer of real estate is determined through negotiations by obtaining the fair value based on the price appraisal made by real estate appraisers.

(Note 3) The transaction amount does not include consumption taxes. The outstanding balance as at the end of the fiscal year includes consumption taxes.

1 Notes to Amounts per Share

1. Net assets per share ¥2,048.19
2. Net income per share ¥388.37

Notes to Significant Subsequent Events

Not applicable