

Financial Statements for the 44th Term

From April 1, 2010 to March 31, 2011

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, 2011

(Unit: million yen)

Account	Amount
Current assets	【 39,991 】
Cash and deposits	16,621
Accounts receivable-trade	323
Gifts	4,069
Supplies	703
Advance payments-trade	48
Prepaid expenses	1,161
Accounts receivable-other	440
Short-term loans receivable	32
Deposits paid	8,381
Deferred tax assets	8,125
Other	92
Allowance for doubtful accounts	△10
Noncurrent assets	【 103,740 】
Property, plant and equipment	【 72,774 】
Buildings	41,574
Structures	8,034
Vehicles	0
Tools, furniture and fixtures	16,312
Land	6,387
Construction in progress	465
Intangible assets	【 6,073 】
Leasehold right	4,314
Telephone subscription right	77
Software	1,551
Other	130
Investments and other assets	【 24,892 】
Investment securities	514
Stocks of subsidiaries and affiliates	4,837
Investments in capital	113
Investments in capital of subsidiaries and affiliates	1
Long-term loans receivable	140
Long-term construction assistance fund receivables	560
Long-term deposits	2,800
Long-term prepaid expenses	2,934
Noncurrent assets for rent	1,836
Guarantee deposits	6,495
Deferred tax assets	4,073
Other	603
Allowance for doubtful accounts	△18
Total assets	143,732

Account	Amount
Liabilities	
Current liabilities	[41,495]
Accounts payable-trade	1,221
Current portion of long-term loans payable	14,795
Accounts payable-other	7,018
Income taxes payable	6,729
Accrued consumption taxes	780
Accrued expenses	6,547
Deposits received	444
Merchandise received	2,987
Provision for directors' bonuses	12
Provision for loss on disaster	911
Other	47
Noncurrent liabilities	[25,796]
Long-term loans payable	16,866
Long-term accounts payable-other	3,212
Provision for retirement benefits	1,825
Provision for directors' retirement benefits	291
Asset retirement obligations Other	3,212
Other	387
Total liabilities	67,291
Net assets	
Shareholders' equity	[76,446]
Capital stock	[5,000]
Capital surplus	[40]
Other capital surplus	40
Retained earnings	[71,406]
Legal retained earnings	1,250
Other retained earnings	70,156
General reserve	50,000
Retained earnings brought forward	20,156
Valuation and translation adjustments	[Δ 6]
Valuation difference on available-for-sale securities	Δ 6
Deferred gains or losses on hedges	-
Total net assets	76,440
Total liabilities and net assets	143,732

Statement of Income

From April 1, 2010 to March 31, 2011

(Unit: million yen)

Account	Amount	
Net sales		853,030
Cost of sales	686,422	
Gross profit		166,607
Selling, general and administrative expenses	138,598	
Operating income		28,009
Non-operating income		
Interest income and dividends income	317	
Rent of real estate	866	
Gain on recycle cards received	264	
Miscellaneous income	261	1,708
Non-operating expenses		
Interest expenses	1,193	
Interest on bonds	24	
Expenses of real estate rent	344	
Commission for syndicate loan	768	
Miscellaneous expenses	18	2,349
Ordinary income		27,368
Extraordinary income		
Noncurrent assets for prior periods		
Gain on adjustment for sales loss	1,478	
Gain on sales of noncurrent assets	309	
Other extraordinary income	0	1,788
Extraordinary loss		
Loss on sales of noncurrent assets	1,783	
Loss on retirement of noncurrent assets	86	
Impairment loss	517	
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,296	
Loss on disaster	181	
Provision for loss on disaster	911	
Loss on redemption of investment securities	110	
Other extraordinary loss	54	4,941
Income before income taxes		24,215
Income taxes-current	11,075	
Income taxes for prior periods	696	
Income taxes-deferred	△1,558	10,214
Net income		14,001

Statement of Changes in Net Assets

From April 1, 2010 to March 31, 2011

(Unit: million yen)

Items	Shareholders' equity							Total shareholders' equity
	Capital stock	Capital surplus		Legal Retained earnings	Retained earnings		Total Retained earnings	
		Other Capital surplus	Total Capital surplus		Other retained earnings			
					General reserve	Retained Earnings Brought forward		
Balance at March 31, 2010	5,000	40	40	1,232	50,000	10,404	61,637	66,677
Changes of items during the period								
Dividends from surplus						△ 4,232	△ 4,232	△ 4,232
Provision of legal retained earnings				17		△ 17	-	-
Net income						14,001	14,001	14,001
Net changes of items other than shareholders' equity								-
Total changes of items during the period	-	-	-	17	-	9,751	9,769	9,769
Balance as of March 31, 2011	5,000	40	40	1,250	50,000	20,156	71,406	76,446

(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, 2010	11	△6	4	66,682
Changes of items during the period				
Dividends from surplus				△ 4,232
Provision of legal retained earnings				-
Net income				14,001
Net changes of items other than shareholders' equity	△ 17	6	△ 11	△11
Total changes of items during the period	△ 17	6	△ 11	9,757
Balance as of March 31, 2011	△ 6	-	△ 6	76,440

Notes to Financial Statements
(From April 1, 2010 to March 31, 2011)

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 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.

(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.
- (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.
- (5) 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.

4. Other Significant Accounting Policies

(1) Cash management system (CMS)

Deposits paid of 8,381 million yen and Long-term deposits of 2,800 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 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 this fiscal year.

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.

1. Assets pledged as collateral:

(1) Assets pledged as collateral:

Buildings	4,310 million yen
Structures	112 million yen
Land	3,246 million yen
Construction assistance fund receivables	302 million yen
Guarantee deposits	289 million yen
Noncurrent assets for rent	2 million yen
Total	8,263 million yen

(2) Liabilities secured by the above collateral

Long-term loans payable	13,011 million yen
(including current portion of long-term loans payable)	

2. Accumulated depreciation (including accumulated impairment loss)

Property, plant and equipment	83,574 million yen
Investments and other assets	
(Noncurrent assets for rent)	1,811 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	8,420 million yen
Short-term accounts payable	1 million yen
Long-term accounts receivable	2,800 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 asset

6. 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
<hr/>	
Outstanding balance as at the end of the fiscal year under review	3,212 million yen

(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

1. Transactions with subsidiaries and affiliates

Operating transactions

Selling, general and administrative expenses 498 million yen

Transactions other than operating transactions 279 million yen

2. Impairment loss

(Unit: million yen)

Location	Usage	Type	Impairment loss
Shibata store (Shibata City, Niigata prefecture)	Pinball game hall	Buildings, etc.	20
Natori Store (Natori City, Miyagi Prefecture)	Pinball game hall	Buildings, etc.	99
Utsukushigaoka Store (Sapporo City, Hokkaido)	Pinball game hall	Buildings, etc.	184
Shinrai no Mori, Niigata Tokamachi Store (Tokamachi City, Niigata prefecture)	Pinball game hall	Buildings, etc.	213

The Company bases its grouping on stores, the smallest units that generate cash flows. The decrease was recorded among extraordinary losses as an impairment loss (517 million yen) 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.

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 4, 2010

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

(2) Dividends paid

Dividends paid that were determined by resolution of a meeting of Board of Directors held on September 3, 2010

Total dividends	976 million yen
Dividends per share	30.00 yen
Effective date	September 10, 2010

(3) Dividends paid

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

Total dividends	1,627 million yen
Dividends per share	50.00 yen
Base date	September 30, 2010
Effective date	December 14, 2010

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

The Board of Directors expects to resolve the items below at a meeting to be held on June 3, 2011.

Total dividends	1,627 million yen
Dividend resource	Retained earnings
Dividends per share	50.00 yen
Base date	March 31, 2011
Effective date	June 15, 2011

Notes to Tax Effect Accounting

Significant components of deferred tax assets

(1) Current assets

Deferred tax assets		
Accrued enterprise tax	486	million yen
Accrued bonuses	1,457	million yen
Disallowed merchandise received	1,194	million yen
Depreciation that exceeded the limit for (pinball) game machines	4,959	million yen
Other	26	million yen
Total deferred tax assets	<u>8,125</u>	<u>million yen</u>

(2) Noncurrent assets

Deferred tax assets		
Provision for retirement benefits	730	million yen
Provision for Directors' retirement benefits	116	million yen
Loss on valuation of investment securities	9	million yen
Depreciation that exceeded the limit for noncurrent assets	885	million yen
Impairment loss	653	million yen
Depreciation that exceeded the limit for (pinball) game machines	2,044	million yen
Asset retirement obligations	1,285	million yen
Deferred losses on hedges	-	million yen
Other	15	million yen
Subtotal deferred tax assets	<u>5,739</u>	<u>million yen</u>
Valuation allowance	<u>-978</u>	<u>million yen</u>
Total deferred tax assets	<u>4,761</u>	<u>million yen</u>
Deferred tax liabilities		
Asset retirement expenses	-685	million yen
Deemed loss on sales of stocks of the parent company	-2	million yen
Total deferred tax liabilities	<u>-687</u>	<u>million yen</u>
Net deferred tax assets	<u>4,073</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.

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

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, 2011 (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) Investment securities			
Available-for-sale securities	546	546	—
(3) Accounts payable	(7,600)	(7,600)	—
(4) Current portion of long-term loans payable	(4,500)	(4,500)	—
(5) Long-term loans payable	(18,775)	(18,775)	—
(6) Derivatives transactions	(2,750)	(2,750)	—

(※) 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 is based on the prices traded at the stock exchange.

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

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) 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.

(6) 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 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.

(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%)	Main partner	Depositing of funds	8,381	Deposits paid	8,381
				Receipt of interest (Note 1)	2,800	Long-term deposits	2,800
				63	-	-	

Trading conditions and policies to determine trading conditions

(Note 1) Rates of deposits of funds are determined at meetings of the Board of Directors in a reasonable manner by taking market 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	Main partner	Leasing of real estate (Note 1)	304	Other current liabilities	1
Subsidiary of the parent company	DYNAM Land & Building Co., Ltd.	Not applicable	Main partner	Transfer of stores	5,029		
				Loss on sales	1,783		
				Acquisition of stores, etc.	79	-	-
				Gain on sales (Note 2)	304		

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 ¥2,347.91
2. Net income per share ¥430.07

Notes to Significant Subsequent Events

Not applicable