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株式会社ダイナムジャパンホールディングス

DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

(Stock Code: 06889)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “Annual General Meeting”) 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”) will be held at 2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan on Wednesday, 24 June 2015 at 10:00 a.m., (Japan time) for the following purposes:

MATTERS TO BE REPORTED

1. Report on the Business Report and the Consolidated Financial Statements, and report on results of the audit by the Accounting Auditors and the review by the Audit Committee on the Consolidated Financial Statements for the 4th fiscal year (from 1 April 2014 to 31 March 2015)
2. Report on the Non-consolidated Financial Statements for the 4th fiscal year (from 1 April 2014 to 31 March 2015)

MATTERS TO BE RESOLVED

First Resolution	Partial Amendment to the Articles of Incorporation
Second Resolution	General Mandate to Allot, Issue and Deal in Shares
Third Resolution	Proposed Election of Nine (9) Directors
Fourth Resolution	Proposed Election of an Auditor pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited

On behalf of the Board

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.*

Yoji SATO

Chairman of the Board

Tokyo, Japan, 2 June 2015

Registered office and headquarters:
2-25-1-702 Nishi-Nippori
Arakawa-ku
Tokyo, 116-0013
Japan

*Principal place of business
in Hong Kong:*
Unit A1, 32nd Floor, United Centre
95 Queensway
Admiralty
Hong Kong

As at the date of this notice, the executive director of the Company is Mr. Yoji SATO, the non-executive director of the Company is Mr. Noriaki USHIJIMA and the independent non-executive directors of the Company are Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP.

** For identification purposes only*

This document has been prepared in compliance with the Companies Act of Japan and the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2 June 2015

Yoji Sato, Chairman of the Board
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.*
2-25-1-702 Nishi-Nippori, Arakawa-ku, Tokyo, Japan

**CONVOCATION NOTICE
FOR THE 4TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

NOTICE IS HEREBY GIVEN THAT the 4th Annual General Meeting of Shareholders (the “Meeting”) 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”) will be held as detailed hereinafter, and your attendance is cordially requested.

Particulars

- 1. Date and time:** Wednesday, 24 June 2015 at 10:00 a.m., Japan time
(Reception starts at 9:30 a.m.)
- 2. Location:** Head Office Building, DYNAM Co., Ltd.
2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**

Matters to be Reported

- (1) Report on the Business Report and the Consolidated Financial Statements, and report on results of the audit by the Accounting Auditors and the review by the Audit Committee on the Consolidated Financial Statements for the 4th fiscal year (from 1 April 2014 to 31 March 2015)
- (2) Report on the Non-consolidated Financial Statements for the 4th fiscal year (from 1 April 2014 to 31 March 2015)

Matters to be Resolved

First Resolution	Partial Amendment to the Articles of Incorporation
Second Resolution	General Mandate to Allot, Issue and Deal in Shares
Third Resolution	Proposed Election of Nine (9) Directors
Fourth Resolution	Proposed Election of an Auditor pursuant to the Listing Rules

* For identification purpose only

4. Decisions on Convocation for the Meeting

(1) Shareholders attending the Meeting in person

Shareholders of the Company (the “Shareholders”) will be requested to confirm their identity at the reception. Confirmation of identity will be carried out by the method of comparing the Shareholder’s signature with the signature he/she has registered in advance. As a precaution, please bring a piece of identification such as a passport or driver’s license.

(2) Proxies representing Shareholders who are unable to attend the Meeting

Please fill out the required information on the proxy form sent by the Company, and have it signed personally by the Shareholder. The signature will be compared to the signature of the Shareholder that has been registered in advance to confirm that it is the Shareholder’s own signature, so Shareholders are requested to use the same signature that they have registered in advance.

Proxies are requested to submit the proxy form with the required information filled in and signed personally by the Shareholder to the reception desk of the Meeting on the day thereof.

Proxies will be asked to confirm their identity at the reception. Please bring a piece of identification such as a passport or driver’s license to confirm your identity as the person named on the proxy form.

(3) Shareholders who are not attending the Meeting and who assign their proxies to the Chairman of the Meeting

Please fill out the required information on the proxy form sent by the Company (please do not fill out the spaces for the home or main office address of the proxy and name of the proxy), and have it signed personally by the Shareholder. The signature will be compared to the signature of the Shareholder that has been registered in advance to confirm that it is the Shareholder’s own signature, so Shareholders are requested to use the same signature that they have registered in advance.

Please send the proxy form, filled in with the required information excluding the home or main office address of the proxy and name of the proxy and signed personally by the Shareholder by mail to the location of the Meeting by no later than the date of the Meeting OR deposit such proxy form at the Company’s share registrar, Computershare Hong Kong Investors Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

5. Other Precautions

- (1) All resolutions set out in this convocation notice (the “Notice”) will be decided by poll at the Meeting in accordance with Rule 13.39(4) of the Listing Rules.
 - (2) Shareholders having voting rights recorded in the most recent share registry as of 27 May 2015 shall be deemed to be Shareholders permitted to attend and vote at the Meeting.
 - (3) Shareholders who intend to cast their votes in different ways (i.e. partly for and partly against a resolution) are requested to notify the Company in writing of their intention to do so and the reason therefor no later than 3 days before the Meeting.
 - (4) Beneficial owners of the shares of the Company (the “Shares”) who hold pecuniary interests and voting rights in the Company with respect to the Shares deposited into the Central Clearing and Settlement System (“CCASS”) and registered in the name of HKSCC Nominees Limited (“HKSCC Nominees”) (the “CCASS Beneficial Owners”) are not recognised as Shareholders under Japanese law. HKSCC Nominees will exercise the entitled voting rights of the CCASS Beneficial Owners in accordance with the pre-determined arrangements between HKSCC Nominees and the CCASS Beneficial Owners and the general operational rules of CCASS.
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BUSINESS REPORT
(1 April 2014 to 31 March 2015)

1. GROUP

(1) Business in the Consolidated Fiscal Year Ended 31 March 2015

Progress of Business and Results

During the fiscal year under review, the Japanese economy showed signs of gradual improvement in corporate profits and employment as a result of continuous monetary easing by the Bank of Japan and fiscal stimulus by the government with a good foothold in strong yen in the midst of a slump in consumer sentiment due to consumption tax increase. On the other hand, pachinko industry has been markedly affected by the weak consumer spending since last summer as a consequence of consumption tax hike.

As a result, relatively older halls with high playing cost machines have projected a decline in utilization and sales along with the similar trend in pachinko industry in general. Among such halls, we have refurbished 40 of them drastically and have installed new equipment since January 2015 in line with our plans for medium- to long-term stable growth. We put higher priority on customer service through our customer creed and active investment in terms of our renovation. By virtue of these measures, our gaming machines see a recovery in utilization on a par with the one in previous term.

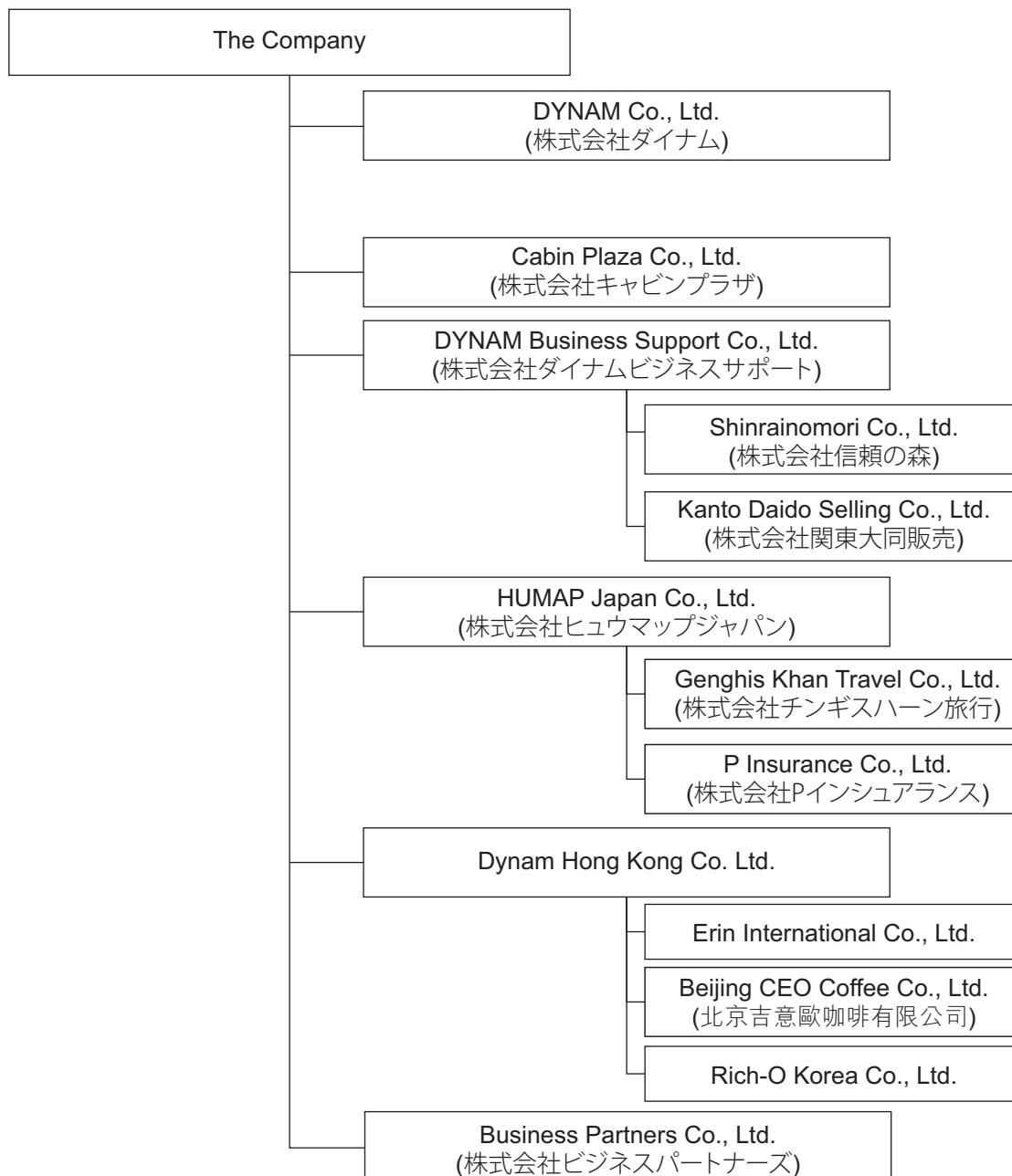
In the pachinko hall operation business, intensified competition of openings of larger halls and excessive advertising campaigns aimed mainly at customers in the heavy user group who prefer speculative high-risk, high-return plays have been seen in recent years. On the other hand, there has been a decrease in the number of customers for the traditional machines including four-yen playing cost pachinko machines and twenty-yen playing cost pachislot machines, and penetration of low playing cost machines such as one-yen playing cost pachinko machines and five-yen playing cost pachislot machines has been rapidly spreading. Naturally, the potential market is believed to be larger for low playing cost machines than for the traditional machines which could force customers to bear higher costs.

In order to achieve the vision of “remaking pachinko as a truly popular entertainment that can be readily and comfortably enjoyed by all”, the Group has been proactively expanding its specialized halls with low playing cost machines that allow users to enjoy pachinko at lower costs. During the fiscal year under review, the Group opened 19 new halls with low playing cost machines and converted 2 traditional halls to specialized halls with low playing cost machines. Furthermore, we closed down 1 hall after reviewing our market area policy. Consequently, there are now 221 specialized halls with low playing cost machines, making up over half of the Group’s 393 halls.

As a result, the consolidated performance for the fiscal year under review was as follows:

The Group recorded operating revenue of ¥154.556 billion (down 6.8% year-on-year), operating income of ¥19.344 billion (down 39.0% year-on-year), and profit for the year attributable to owners of the Company of ¥11.303 billion (down 46.8% year-on-year).

Group Companies



(2) Material Corporate Restructuring Events

1) Business transfers, absorption-type mergers, consolidation-type mergers:

Not applicable.

2) Receipt of transfer of business from other companies:

Not applicable.

3) Succession of rights or responsibilities of other corporations through absorption-type mergers or consolidation-type mergers:

Not applicable.

4) Acquisition or disposal of the equity or stock acquisition rights of other companies:

Not applicable.

(3) Capital Expenditure

Total capital expenditures for the fiscal year under review was ¥20.828 billion, mainly consisting of buildings and structures as well as tools, furniture and fixtures accompanying the opening conversion of new pachinko halls and renewal of existing pachinko halls.

(4) Financing

The Group raised funds during the fiscal year under review as follows.

- (i) The Group borrowed ¥3.0 billion through the Commitment Line Contract (Contract Amount: ¥15.0 billion, Contract Period: 3 years) signed in September 2012.
- (ii) The Group borrowed ¥9.0 billion through the Syndicate Loan Contract (Contract Amount: ¥30.0 billion, Contract Period: 7 years) signed in March 2015 for the purpose of plant and equipment investment.
- (iii) The Group changed the Commitment Line Contract signed in March 2014 (Contract Amount: ¥15.0 billion, Contract Period: 3 years) into the one responsive to earthquake disaster and extended the contract period thereof for 1 year.

Please note that the Group is making an effort to streamline funds and reduce interest-bearing debt through the introduction of CMS (cash management system) that allows the central management of funds for each Group subsidiary.

The Group had interest-bearing debt of ¥12.320 billion as of the end of fiscal year under review, increased by ¥7.996 billion, year-on-year.

(5) Management Issues

1) Pursuing low-cost management

The Group is promoting the introduction of halls specializing in low playing cost machines. Since operating revenues and profits are lower for low playing cost machines compared to the existing machines, technologies and know-how to achieve low-cost management are required. The Group will strive to achieve low-cost management by standardizing halls to allow efficient purchases of building materials, strengthening our product provision capabilities (product quality), thoroughly implementing the standardization and simplification of processes through on-site on the job training, reviewing the headquarters and supervisory organizations that serve to support halls, and streamlining through the deployment of the proper number of personnel.

2) Strengthening internal control

The Group has established the Group Internal Control Committee, made the internal control systems of the Group based on the “Basic Policy for Internal Control” decided by the Board, checked and streamlined them according to the change of conditions. Going forward, the Group will introduce the Group risk management committee under the Group, grasp the intrinsic risk of the whole Group comprehensively and dissolve the issues related with risk of loss.

(6) Trends in Property and Gains (Losses)

	IFRS		
	2nd	3rd	4th
	Consolidated	Consolidated	Consolidated
	Fiscal Year	Fiscal Year	Fiscal Year
	Fiscal Year	Fiscal Year	Fiscal Year
	ended	ended	ended
	31 March 2013	31 March 2014	31 March 2015
			(Under Review)
Revenue (Millions of yen)	163,961	165,754	154,556
Operating profit			
(Millions of yen)	34,289	31,735	19,344
Net profit attributable to			
Owners of the Company			
(Millions of yen)	20,925	21,255	11,303
Basic earnings per share			
(Yen)	29.73	28.61	15.22
Total assets			
(Millions of yen)	167,877	186,169	180,936
Equity attributable to			
owners of the Company			
(Millions of yen)	125,827	141,990	135,077
Equity attributable to			
owners of the Company			
per Share (Yen)	169.38	191.14	181.84

(Notes)

1. Amounts stated above are rounded off to the nearest million yen.
2. On 21 June 2012, the Company conducted a split of its common Shares at a ratio of 20 to 1, and basic earnings per Share (IFRS) is calculated under the assumption that such Share split was implemented at the beginning of the fiscal year ended 31 March 2013.
3. Financial statements on the fiscal year ended 31 March 2013 are based on IFRS for the purpose of showing comparative information for the statements on the fiscal year ended 31 March 2014 and the fiscal year ended 31 March 2015. Figures for the year ended 31 March 2013 in accordance with IFRS were not audited by the Accounting Auditors of the Company.

(7) Important Parent Company and Subsidiaries

1) Status of parent company:

Not applicable.

2) Important subsidiaries (As of 31 March 2015):

Name of Company	Capital Stock (Millions of Yen)	Ratio of Voting Rights	Principal Business Description
DYNAM Co., Ltd.	5,000	100%	Operation of pachinko halls
Cabin Plaza Co., Ltd.	10	100%	Operation of pachinko halls
DYNAM Business Support Co., Ltd.	1,020	100%	Property Management, Advertisement, Hall Development
HUMAP Japan Co., Ltd.	100	100%	Restaurant, Cleaning Services
Dynam Hong Kong Co., Limited	HK\$500,000,000	100%	Investment businesses in Asian region

(8) Principal Business Description

The Company, as a pure holding company, coordinates the management of the entire Group.

The principal businesses of the Group are as follows. (As of 31 March 2015)

Business Segment	Principal Business Description
Pachinko Hall Operation	Operation of pachinko halls
Real Estate Development	Real estate management and development of halls
Restaurant Business	Operation of restaurants adjacent to pachinko halls
Cleaning Business	Cleaning services in pachinko halls
Investment Business	Investment in businesses in Asian regions

(9) Principal Business Premises

1) The Company (As of 31 March 2015)

Head Office	2-25-1-702, Nishi-Nippori, Arakawa-ku, Tokyo, Japan
Principal place of business in Hong Kong	Unit A1, 32nd Floor, United Centre, 95 Queensway, Admiralty, Hong Kong

2) Principal Subsidiaries (As of 31 March 2015)

DYNAM Co., Ltd.	Head Office	2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Pachinko Halls	384 halls in 46 prefectures in Japan
	Distribution Centers	16 locations in 16 prefectures in Japan
Cabin Plaza Co., Ltd.	Head Office	5-21-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Pachinko Halls	9 halls in 5 prefectures in Japan
DYNAM Business Support Co., Ltd.	Head Office	5-21-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
HUMAP Japan Co., Ltd.	Head Office	5-15-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Restaurants	366 restaurants in 46 prefectures in Japan
Dynam Hong Kong Co., Limited	Head Office	Unit A1, 32nd Floor, United Centre, 95 Queensway, Admiralty, Hong Kong

(10) Status of Employees

1) Number of Employees in the Group

(As of 31 March 2015)

Number of Employees	Changes from the End of the Previous Fiscal Year
4,651	-124

(Note) Apart from the above number referring to the number of employees at work in the Group, there are 11,735 (average number of temporary workers per annum) temporary employees.

2) Number of employees in the Company

(As of 31 March 2015)

Number of Employees	Changes from the End of the Previous Fiscal Year
35	+2

(Notes)

1. The above number refers to the number of employees at work in the Company. Apart from the above, the Company has employed 4 temporary employees (the average number of temporary employees during the current consolidated fiscal year).
2. Number of employees includes secondees from subsidiaries to the Company, and excludes secondees from the Company to subsidiaries.

(11) Lenders

(As of 31 March 2015)

Lender	Loan Balance (Millions of yen)
Mizuho Bank, Ltd.	6,862
Sumitomo Mitsui Banking Corporation	4,575
Resona Bank, Limited	740
Sumitomo Mitsui Trust Bank, Limited	143

(Note) Amounts are rounded off to the nearest million yen.

(12) Other Significant Matters Related to the Corporate Group

Not applicable.

2. MATTERS RELATED TO THE SHARES IN THE COMPANY

(As of 31 March 2015)

- (1) Total Number of Shares Authorized for Issue: 2,520,000,000 Shares
- (2) Total Number of Issued Shares: 742,850,360 Shares
- (3) Number of Shareholders: 145 Shareholders
- (4) Major Shareholders:

Major Shareholders	Investment in the Company	
	Number of Shares Held (Thousands of Shares)	Percentage of Voting Rights (%)
HKSCC Nominees Limited	163,277	21.98
Yoji Sato	162,522	21.88
Rich-O Co., Ltd.	95,810	12.90
One Asia Foundation	80,000	10.77
Kohei Sato	55,139	7.42
Yaeko Nishiwaki	46,896	6.31
Shigehiro Sato	46,575	6.27
Masahiro Sato	45,059	6.07
DYNAM JAPAN HOLDINGS Employee Stock Ownership Association	18,073	2.43
Kiyotaka Sato	9,900	1.33

(Notes)

- 1. No treasury shares are held.
- 2. HKSCC Nominees Limited is a wholly-owned sub-subsidiary of Hong Kong Exchanges and Clearing Limited, and the nominee shareholder of the Company's Shares listed on the Stock Exchange that are to be deposited in the account of the CCASS.
- 3. Number of Shares set forth in above table is subject to practical shareholders acknowledged by the Company.

3. STOCK ACQUISITION RIGHTS

Not applicable.

4. COMPANY OFFICERS

(1) Directors and Executive Officers

(As of 31 March 2015)

Name	Position and Area of Responsibility in the Company	Responsibilities and Other Significant Concurrent Offices Held
Yoji Sato	Executive Director, Chairman of Board of Directors, Member of Nomination Committee and Remuneration Committee	Director and CEO of Dynam Hong Kong Co., Limited, Representative Chairman of One Asia Foundation
Kohei Sato	Executive Director and Chief Executive Officer	President and Representative Director of DYNAM Co., Ltd.
Katsuhide Horiba	Independent Non-executive Director, Chairman of Nomination Committee and Remuneration Committee	
Ichiro Takano	Independent Non-executive Director, Chairman of Audit Committee	Attorney-at-law, Independent Auditor of HIKARI TSUSHIN, INC.
Noriaki Ushijima	Non-executive Director	
Yukio Yoshida	Independent Non-executive Director, Member of Audit Committee	Tax Accountant
Mitsutoshi Kato	Independent Non-executive Director, Member of Nomination Committee and Remuneration Committee	Representative Director and CFO of ECO-MATERIAL CORPORATION
Thomas Chun Kee Yip	Independent Non-executive Director, Member of Audit Committee	Practising Director (Hong Kong Certified Public Accountant) of AIP Partners C.P.A. Limited
Haruhiko Mori	Executive Officer	Director of DYNAM Co., Ltd.
Makoto Sakamoto	Executive Officer	Director of DYNAM Co., Ltd.
Shizuo Okayasu	Executive Officer	
Hisao Katsuta	Executive Officer	
Yoshiyuki Mizutani	Executive Officer	Director of DYNAM Co., Ltd.

(Notes)

1. Directors, Messrs. Katsuhide Horiba, Ichiro Takano, Noriaki Ushijima, Yukio Yoshida, Mitsutoshi Kato, and Thomas Chun Kee Yip are Outside Directors as prescribed under Article 2, Item 15 of the Companies Act.
2. Member of Audit Committee Mr. Ichiro Takano is an attorney with thorough knowledge of corporate legal affairs. Serving as outside auditor also in other companies, he has adequate knowledge and insight in finance and accounting as well.
3. Member of Audit Committee Mr. Yukio Yoshida is a tax accountant and has adequate knowledge and insight in finance and accounting earned through his career including experience as Head of tax office.
4. Member of Audit Committee Mr. Thomas Chun Kee Yip, a Hong Kong Certified Public Accountant, is currently serving as tax advisor in Hong Kong. He has adequate knowledge and insight in finance and accounting.

(2) Remuneration Committee's Policies for Determining Remuneration for Directors and Executive Officers, and its Description

At the Remuneration Committee meeting held on 28 September 2011, a resolution was passed on the policy to determine the details of remunerations of Directors and Executive Officers as per the following, and subsequently at the Remuneration Committee meeting held on 25 April 2012, a resolution was passed to amend the method of payment of executive remunerations and bonuses.

1) The principle applicable to the remuneration for Directors and Executive Officers

Remuneration for each of the Directors and Executive Officers shall be individually determined by the Remuneration Committee at an amount commensurate with the role expected, as well as the capability and responsibility required in each position, within the limitation of the aggregate amount of annual compensation determined by the Remuneration Committee in view of the standard of Company Officer remuneration at the industry peers as well as private businesses of equivalent scale in retail/distribution sectors.

2) Remuneration for Directors

- (i) Remuneration for Directors shall be comprised of fixed remuneration and performance-related bonus to Company Officers.
- (ii) Fixed remuneration shall be paid monthly from the amount of the annual salary divided by 13 months, based on the Company Officer's remuneration ranking (annual salary system) which has been reset based on the rank and role within the Group the individual Company Officer serves, classification of whether full-time or part-time, the committee individual Company Officer belongs to, and individual position, and the previous remuneration levels.
- (iii) Bonus to Company Officers shall be determined by the level of performance of the Company the individual Company Officer serves, as well as the level of individual contribution he/she makes in each six-month period. Bonus to Company Officers consists of a fixed portion and a fluctuating portion. The

fixed portion is equivalent to one month-worth of the fixed remuneration, which is divided into two and paid out twice a year, each worth 0.5 month of the monthly fixed remuneration. The fluctuating portion is determined according to the degree to which the Company was able to achieve the targeted ordinary income and the results of the commitment evaluation. The fluctuating portion of the bonus may not be paid depending on the Company's performance.

- (iv) Remuneration Committee reviewed the remuneration structure for Directors and determined to abolish the retirement bonuses for Directors on 25 April 2013. Consequent closing date for calculation of retirement bonuses was 31 May 2013. Any Director whose incumbency generates benefits shall be entitled to receive relevant retirement bonuses at the time of his/her retirement.
- (v) Director's remuneration shall not be payable to a Director concurrently serving as an Executive Officer.

3) *Remuneration for Executive Officers*

- (i) Remuneration for Executive Officers consists of fixed remuneration and performance-related bonus to Company Officers.
- (ii) Fixed remuneration shall be paid monthly from the amount of the annual salary divided by 13 months, based on the Company Officer's remuneration ranking (annual salary system) which has been reset based on the rank and role of the officer and the previous remuneration levels.
- (iii) Bonus to Company Officers shall be determined by the level of performance of the Company the individual Company Officer serves, as well as the level of individual contribution in the business he/she is responsible for in each six-month period. Bonus to Company Officers consists of a fixed portion and a fluctuating portion. The fixed portion is equivalent to one month's worth of the fixed remuneration, which is divided into 2 halves and paid out separately during the year, each worth 0.5 month of the monthly fixed remuneration. The fluctuating portion is determined according to the degree to which the Company was able to achieve the targeted ordinary income and the results of the commitment evaluation. The fluctuating portion of the bonus may not be paid depending on the Company's performance.
- (iv) Remuneration Committee reviewed the remuneration structure for Executive Officers and determined to abolish the retirement bonuses for Executive Officers on 25 April 2013. Consequent closing date for calculation of retirement bonuses was 31 May 2013. Any Executive Officer whose incumbency generates benefits shall be entitled to receive relevant retirement bonuses at the time of his/her retirement.

(3) Total Amount of Remuneration for Directors and Executive Officers

(From 1 April 2014 to 31 March 2015)

	Number of Officers	Total amount of paid remuneration
Directors	7 officers	¥57 million
(Outside Directors)	(6 officers)	(¥36 million)
Executive Officers	6 officers	¥171 million

(Notes)

1. Amounts are rounded off to the nearest million yen.
2. As of the end of the fiscal year under review, there are eight (8) Directors including six (6) Outside Directors, and six (6) Executive Officers. Please note that above table includes the amount of paid remuneration for a retired Executive Officer during the fiscal year under review.
3. No remuneration other than monetary remuneration is offered to Directors and Executive Officers.

(4) Matters Regarding Outside Directors

1) *Significant concurrent offices which the Outside Directors hold at other companies*

Concurrent services of Directors and Executive Officers are stated in “(1) Directors and Executive Officers under item 4 headed COMPANY OFFICERS”. Other entities in which Directors and Executive Officers serve concurrently have no business relations with the Company.

2) *Relationship with the specified related business operators including primarily main trade connections*

- (i) None of Outside Directors has served as an operating officer of the Company or its specified related business operators.
- (ii) None of Outside Directors has received sizable amount of money or other asset from the Company, or its specified related business operators.
- (iii) None of Outside Directors is a relative within the third degree of kinship of Directors or Executive Officers of the Company.

3) *Outline of activities in the fiscal year under review*

**Name of Outside
Directors**

Outline of Activities

Katsuhide Horiba	Mr. Horiba attended all of 13 Board of Directors' meetings, 7 Nomination Committee meetings and 10 Remuneration Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of the proposals, etc. from the viewpoint of, and based on the insight into the management of retail/financial business.
Ichiro Takano	Mr. Takano attended all of 13 Board of Directors' meetings and 15 Audit Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of a legal expert.
Noriaki Ushijima	Mr. Ushijima attended all of 13 Board of Directors' meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of, and based on the insight into the management of financial/securities business.
Yukio Yoshida	Mr. Yoshida attended all of 13 Board of Directors' meetings and 15 Audit Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of tax and accounting expert.
Mitsutoshi Kato	Mr. Kato attended all of 13 Board of Directors' meetings, 7 Nomination Committee meetings and 10 Remuneration Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of, and based on the insight into the management of manufacturing/financial business.
Thomas Chun Kee Yip	Mr. Yip attended 13 Board of Directors' meetings and 15 Audit Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of tax and accounting expert.

4) *Outline of the contracts for limitation of liability*

Not applicable.

5. ACCOUNTING AUDITORS

(1) Names of Accounting Auditors

PricewaterhouseCoopers Aarata

(2) Amount of Remuneration of Accounting Auditors for the Fiscal Year under Review

Classification	Amount paid
Amount of remuneration of Accounting Auditors for the fiscal year under review	60 million yen
Amount of remuneration for Accounting Auditors payable by subsidiaries	26 million yen

(Note) Amounts are rounded off to the nearest million yen.

(3) Outline of the Contracts for Limitation of Liability

Not applicable.

(4) Policy on Determination of Removal or Disapproval of Re-appointment

If the Accounting Auditor is deemed to fall under any item of Article 340, Paragraph 1 of the Companies Act, the Audit Committee will remove the Accounting Auditor by consent of all of the Audit Committee members. In that case, the Audit Committee members elected by the Board shall report the dismissal of the Accounting Auditor and the reason therefor at the first General Meeting of Shareholders convened after the dismissal.

Apart from the above, the Audit Committee will review re-appointment or non-re-appointment of the Accounting Auditor each year, in consideration of the quality of audit and the effectiveness and efficiency of audit implementation by the Accounting Auditor.

6. FRAMEWORKS AND POLICIES OF THE COMPANY

(1) Frameworks for Ensuring Proper Execution of Business Operations

At the Board of Directors' meeting held on 25 March 2015, a resolution was passed on the basic policy of internal control as per the following:

1) Framework for Data Storage and Management Relating to Execution of Duties by Executive Officers

Executive Officers shall follow laws and rules in respect of document management, while maintaining and controlling information concerning the execution of their duties.

Executive Officers shall establish and maintain a system which, in response to the request by Directors, Audit Committee, or Accounting Auditors, can disclose the information concerning the execution of their duties.

2) Rules for Risk of Loss Management and Other Similar Frameworks

Executive Officers shall establish Group Crisis Management Committee and maintain rules concerning risk management.

Group Crisis Management Committee shall summarize risk information exhaustively and develop risk analysis and countermeasure thereof.

Executive Officers shall, in response to unforeseen circumstances, set up an emergency headquarters to minimize the magnitude of losses.

3) Framework for Ensuring the Efficient Execution of Duties by Executive Officers

The Company shall hold the Board of Directors monthly, as well as an extraordinary meeting as necessary, to ensure the efficient execution of duties by executive officers while maintaining the internal rules to define the responsibility and authority of Executive Officers and deliberation procedure at meeting structure for ensuring the efficient framework of business execution and Executive Officers' responsibility.

4) Framework for Ensuring Execution of Duties by Executive Officers and Employees are in Compliance with Laws and Regulations and Articles of Incorporation

The Company shall conform to the following matters to practice business according to the corporate philosophy in addition to the compliance with laws and regulations and articles of incorporation.

- (i) The Company shall establish "DYNAM Group Charter of Corporate Behavior" for executives and employees to comply with laws and regulations and articles of incorporation.
- (ii) The Company shall keep executives and employee of the Group informed thoroughly of the "DYNAM Group Charter of Corporate Behavior".

- (iii) The Company shall countermeasure any issues concerning compliance based on “DYNAM Group Charter of Corporate Behavior”.
- (iv) Executive Officers shall establish a whistle-blowing system for the Group to enhance effectiveness of the compliance framework.

5) *Framework for Ensuring Proper Execution of Business Operations in Corporate Group Consisting of the Company and Subsidiaries*

The Company shall promote following activities to comply with laws and regulations for the transactions between subsidiaries and proper business execution of the subsidiaries.

- (i) The Company shall, through regularly held Management Strategy Conference and Business Briefing Sessions, grasp the action plans of subsidiaries who received correction instruction from the Company to conduct proper management guidance and control, in addition to the deliberation for the report of business and financial condition and other essential information. Meanwhile, the Company keep identifying business risks that can be envisaged, and take necessary risk management measures.
- (ii) Executive Officers shall establish Group Crisis Management Committee under the Group Internal Control Committee to develop and operate a system necessary to manage risks of loss.
- (iii) The Board of Directors lay out the primary Group management policies, while approving the business plans/budgets to ensure their prompt business execution.

In the course of their business execution, Executive Officers shall make business decisions according to due internal procedures based on the Board of Directors’ Rules, Rules for Executive Officers’ Business Execution and other rules concerning the responsibility and authority of Executive Officers, while supporting the duties of subsidiaries such as finance, accounting, personnel affairs and judicial affairs depending on their circumstances.

- (iv) Executive Officers shall keep executives and employee of the Group informed thoroughly of the “DYNAM Group Charter of Corporate Behavior”, relevant laws and regulations and rules and regulations of each Group company.

Executive Officers shall ensure the credibility of financial reports by examining the financial statements which may affect reliability thereof significantly.

Executive Officers shall strive for early detection of, and timely response to the violation of laws and regulations within the Group, by utilizing an attitude survey of employees over compliance and an intra-Group whistle blowing system. In response to any issue on a practice of whistle blowing system, Executive Officers shall request an improvement thereof.

The Company shall thoroughly stay away from the anti-social force or organizations that threaten the order and security of civil society, flatly rejecting any demand from them, having no transactions whatsoever with the businesses, bodies and individuals related to them. Meanwhile, the whole Group shall address them in a resolute attitude, and coordinate with the external parties professionally addressing them including the police and our legal advisors.

6) *Matters Related to Directors and Employees Who Are to Assist the Duties of the Audit Committee*

Executive Officers shall establish an employees' formulated Audit Committee Support Office that assists the duties of the Audit Committee.

7) *Matters Related to the Employees' Independence from Executive Officers in the Preceding Item*

Executive Officers shall set out internal procedures regarding employees who are to assist the duties of the Audit Committee, which must formulate and operate the provisions necessary to ensure independence of the employees appointed in the Audit Committee Support Office, in terms of their execution of duty and personnel matters.

8) *Framework for Ensuring the Effective Instruction to Directors and Employees Who Are to Assist the Duties of the Audit Committee*

Executive Officers shall establish a system in which employees may execute their duties based on the instruction of the Audit Committee or the designated member of the Audit Committee, and Executive Officers shall not appoint any employee who is concurrently served other duties.

9) *Framework for Reporting by Executive Officers and Employees to the Audit Committee and Framework for Other Types of Reporting to the Audit Committee*

The Company is committed to the following measures for executive officers and employees to regularly report on the status of execution of such executive officers' duties and material matters for ensuring that audits are efficiently conducted by the Audit Committee.

- (i) An executive officer or a person designated by such executive officer shall make regular reports on the status of execution of such executive officer's or such employee's duties to the Audit Committee.
- (ii) Directors (except for those who are members of Audit Committee), Executive Officers and employees and executives and employees of its subsidiaries shall report on the status of such Executive Officers' and executives' duties to the Audit Committee upon the request by the Audit Committee.

- (iii) Directors (except for those who are members of Audit Committee), Executive Officers and employees and executives and employees of its subsidiaries shall be able to report to the Audit Committee in case they find matters that may significantly adversely affect the Company and its subsidiaries and facts in violation of material laws and regulation the Articles of Incorporation.
- (iv) A section of the Group in charge of its whistle blowing system shall regularly report on the status of the Group's whistle blowing activities to the Audit Committee.
- (v) Executive Officers shall not treat adversely the Group's executives and employees who have made a report to the Audit Committee for the reason that they have made such report to the Audit Committee.

10) Matters Related to Policies Pertaining to Process such as Prepayment of Expenses Resulting from Execution of the Audit Committee's Duties

In the event the Audit Committee requests the Company to make the prepayment of expenses, etc. under the Companies Act, the Company may not refuse to do so and shall promptly account for expenses and debts unless there is a special circumstance where expenses or debts pertaining to such request are deemed unnecessary for the execution of the Audit Committee's duties.

11) Other Frameworks for Ensuring that the Audit Committee Effectively Executes Audits

An Executive Officer shall provide a member of the Audit Committee designated by the Audit Committee with opportunities to attend conference bodies presided over by such Executive Officer.

The responsible person of the Group's audit section shall discuss the internal audit plan with the Audit Committee and report on the results of audits on the Group's affairs and audits on improvement and operation of internal control to the Audit Committee.

(2) Basic Policies for the Control of the Company

Not applicable.

(3) Policies for Determining Dividends from Surplus

Performance-related distribution of profit to Shareholders is one of the priority agendas of the Company, and its basic policy is to pay dividends from surplus not less than 35% of the consolidated net profit calculated according to IFRS.

In terms of dividends from surplus, an interim dividend of ¥7.00 per Share was paid out in accordance with the resolution at the Board of Directors' meeting held on 27 November 2014. At the Board of Directors' meeting held on 28 May 2015, it was resolved to pay ¥7.00 per Share as year-end dividend.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(As of 31 March 2015)

(Millions of yen)

Item	Amount
(Assets)	
Non-current assets	
Property, plant and equipment	99,961
Intangible assets	1,029
Available-for-sale financial assets	8,807
Deferred tax assets	10,954
Other non-current assets	<u>11,462</u>
Total non-current assets	<u>132,213</u>
Current assets	
Inventories	4,493
Trade receivables	486
Financial assets at fair value through profit or loss	2,925
Prizes in operation of pachinko halls	4,292
Other current assets	7,288
Cash and cash equivalents	<u>29,239</u>
Total current assets	<u>48,723</u>
Total assets	<u><u>180,936</u></u>

(Millions of yen)

Item	Amount
(Liabilities)	
Current liabilities	
Trade and other payables	20,468
Borrowings	3,160
Finance lease payables	254
Provisions	1,610
Income taxes payables	719
Other current liabilities	<u>5,169</u>
Total current liabilities	<u>31,380</u>
Non-current liabilities	
Deferred tax liabilities	175
Borrowings	9,160
Finance lease payables	66
Other non-current liabilities	1,002
Provisions	<u>4,100</u>
Total non-current liabilities	<u>14,503</u>
Total liabilities	<u>45,883</u>
(Equity)	
Share capital	15,000
Capital reserve	10,129
Retained earnings	111,037
Other component of equity	<u>(1,089)</u>
Equity attributable to owners of the Company	135,077
Non-controlling interests	<u>(24)</u>
Total equity	<u>135,053</u>
Total liabilities and equity	<u>180,936</u>

CONSOLIDATED STATEMENT OF INCOME

(From 1 April 2014 to 31 March 2015)

(Millions of yen)

Item	Amount
Revenue	154,556
Hall operating expenses	(134,659)
General and administrative expenses	(5,456)
Other income	6,850
Other operating expenses	(1,947)
Operating profit	19,344
Finance income	2,151
Finance expenses	(1,977)
Profit before income tax	19,518
Income taxes	(8,259)
Net profit for the year	11,259
Net profit attributable to:	
Owners of the Company	11,303
Non-controlling interests	(44)
Net profit	11,259

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From 1 April 2014 to 31 March 2015)

(Millions of yen)

	Share capital	Capital reserve	Retained earnings	Other component of equity Investment revaluation reserve
As at 1 April 2014	15,000	10,129	110,943	5,829
Accumulated adjustments due to changes in accounting policies	—	—	(807)	—
As at 1 April 2014 (Restated)	15,000	10,129	110,136	5,829
Profit for the year	—	—	11,303	—
Other comprehensive income for the year	—	—	—	(8,958)
Transfer to retained earnings	—	—	(2)	—
Total comprehensive income for the year	—	—	11,301	(8,958)
2015 dividend	—	—	(10,400)	—
Total changes in equity for the year	—	—	901	(8,958)
As at 31 March 2015	<u>15,000</u>	<u>10,129</u>	<u>111,037</u>	<u>(3,129)</u>

	Other component of equity					
	Foreign currency translation reserve	Other reserves	Total	Total	Non-controlling interests	Total equity
As at 1 April 2014	894	2	6,725	142,797	20	142,817
Accumulated adjustments due to changes in accounting policies	—	—	—	(807)	—	(807)
As at 1 April 2014 (Restated)	894	2	6,725	141,990	20	142,010
Profit for the year	—	—	—	11,303	(44)	11,259
Other comprehensive income for the year	1,143	(1)	(7,816)	(7,816)	1	(7,815)
Transfer to retained earnings	—	2	2	—	—	—
Total comprehensive income for the year	<u>1,143</u>	<u>1</u>	<u>(7,814)</u>	<u>3,487</u>	<u>(44)</u>	<u>3,443</u>
2015 dividend	—	—	—	(10,400)	—	(10,400)
Total changes in equity for the year	<u>1,143</u>	<u>1</u>	<u>(7,814)</u>	<u>(6,913)</u>	<u>(44)</u>	<u>(6,957)</u>
As at 31 March 2015	<u>2,037</u>	<u>3</u>	<u>(1,089)</u>	<u>135,077</u>	<u>(24)</u>	<u>135,053</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICY

1) SCOPE OF CONSOLIDATION

Number of Consolidated Subsidiaries 14

Name of Main Consolidated Subsidiaries DYNAM Co., LTD., CABIN PLAZA Co., Ltd.,
DYNAM BUSINESS SUPPORT Co., Ltd.,
HUMAP JAPAN Co., Ltd. and DYNAM Hong Kong Co., Ltd.

2) SUMMARY OF ACCOUNTING POLICIES

(1) *Standards for Preparation of Consolidated Financial Statements*

Consolidated Financial Statements are made in accordance with the designated IFRS pursuant to Article 120, Paragraph 1 of the Ordinance on Company Accounting. But part of the disclosure items the designated IFRS requires is omitted pursuant to the provisions in the latter part of the Article 120, Paragraph 1 in this Consolidated Financial Statement.

(2) *Valuation standard and method of significant assets and liabilities*

(i) *Inventories*

(a) *Supplies*

Supplies 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.

Pachinko and pachislot machineries which are not yet installed for the use in a pachinko hall are stated on the specific costing basis. The carrying amount is reduced to the net realisable value when the value become lower than the cost. Cost of consumables for use in the operation of halls is determined using the first in, first out basis.

(b) *Property under development for sale*

Property under development for sale are carried at the lower of cost and net realisable value.

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

(ii) *Prizes in operation of pachinko halls*

Prizes are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds less selling expenses. Cost is determined using the weighted average basis.

(iii) *Derivative financial instruments*

Derivative financial instruments are initially recognised and subsequently measured at fair value. Changes in the fair value of derivative financial instruments are recognised in profit or loss.

(iv) Non-derivative financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets 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. Trade date refers to the date on which the Group commits to purchase or sell the financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are non-derivative financial assets acquired principally for the purpose of selling in the short term. Financial assets at fair value through profit or loss are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of income.

Financial assets at fair value through profit or loss are subsequently measured at fair value and gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss.

(b) 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 initially measured at fair value, plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(c) 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. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially measured at fair value, plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as "Financial assets at fair value through profit or loss", "Held-to-maturity investments" and "Trade and other receivables". Available-for-sale financial assets are included in the non-current assets unless expected to be settled within twelve months or management intends to dispose of the investment within twelve months after the balance sheet date.

Available-for-sale financial assets are initially measured at fair value, plus directly attributable transaction costs and subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(v) *Impairment of Financial assets*

Financial assets except “Financial assets at fair value through profit or loss” are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

For listed and unlisted securities classified as *Available-for-sale financial assets*, the significant or prolonged decline in the fair value of a security below its cost is considered to be objective evidence of impairment.

For all financial assets, such as redeemable notes classified as available-for-sale financial assets and financial lease receivables, the objective evidence of impairment could include:

- (a) significant financial difficulty of the issuer or counterparty; or
- (b) breach of contract, such as default or delinquency in interest and principal payments; or
- (c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Impairment loss of financial assets measured at amortised cost is recognised as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account.

When trade and other receivables, which include the receivable with change in collection date, are considered uncollectible, the allowance account is recorded against receivable. When trade and other receivables are abandoned or collected subsequently, the allowance account is reversed. Changes in the amount of the allowance account except for the changes due to intended usage are recognised in profit or loss.

For financial assets except “Available-for-sale financial assets”, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(vi) *Derecognition of financial 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.

If the transferred financial assets remain under control of the Group, the Group continue to recognise financial assets and associated liabilities, if any, to the extent which the Group retains the control over the assets.

(vii) *Disclosure of financial assets and liabilities*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(viii) Equity instruments and financial liabilities issued by the Company excluding derivative instruments

(a) Equity instruments

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

(b) Financial liabilities

Financial liabilities are classified as “financial liabilities at fair value through profit or loss” and “other financial liabilities”.

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading in the below situation:

- Financial liabilities acquired principally for the purpose of sale or repurchase in the short term.
- At initial recognition, the financial liabilities are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivative instruments (Excluding the financial guarantee and designated effective hedging instruments).

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, gains or losses arising from changes in fair value are recognised in profit or loss.

Gains or losses arising from changes in fair value and interest expenses are recognised in consolidated statement of income as profit or loss.

b) Other financial liabilities

Other financial liabilities which include borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost, using the effective interest rate method, with interest expense recognized on an effective yield basis.

(ix) Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(x) Financial guarantee contract

Financial guarantee contracts 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 accordance with IAS 18 “Revenue”.

(3) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

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

The cost includes expenditure that is directly attributable to the acquisition of the items. The cost also includes the initially estimated costs of dismantling and removing the item and restoring the site to the original state.

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.

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

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

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

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

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

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

(ii) 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

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

An intangible asset with an indefinite useful life is not amortised and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of assessing impairment of an asset for which the assessment is not applicable on the individual asset basis, identifiable cash generating unit to which the asset belongs is tested for impairment.

(4) Impairment of non-financial assets

(i) Impairment of tangible and intangible assets except goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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.

(ii) Impairment of goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed.

(5) Provisions

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.

In assessing present value, the estimated future expenditures 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 liabilities.

(6) Employee benefits

(i) Short-term employee benefits

The Group recognizes the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered.

A provision is made for the estimated liability for annual leave and long service leave when the Group has a present obligation (legal or constructive) as a result of services rendered by employees up to the end of the reporting period and reliable estimate can be made of the amount of the obligation.

(ii) Defined contribution retirement plans

The Group contributes to defined contribution retirement plans which are available to all directors and 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.

(7) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Japanese yen ("¥" or "JPY"), which is the Company's functional and presentation currency.

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

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

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

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

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

(8) Accounting procedure for consumption taxes

The amounts in the financial statements are presented without consumption or local consumption taxes.

3) Changes in method of presentation (financial income)

In the year ended 31 March 2014, the finance income was included in the other income in the consolidated statement of income, however, it is presented separately as the finance income in the consolidated statement of income since the year ended 31 March 2015 in order to more faithfully represent the results of its operating activities for the period. To reflect this change in the presentation method, ¥3,660 million, that was previously included in the other income in the year ended 31 March 2014, was reclassified from the other income and presented as the finance income.

4) Adoption of new and revised international financial reporting standards

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2014.

(1) Amendments to IAS 36, “Impairment of assets”

IAS 36, “Impairment of assets”, is amended to clarify the recoverable amount disclosures of the cash generating units. The amendment did not have a significant impact on the group financial statements.

(2) IFRIC 21, “Levies”

The Group has adopted IFRIC 21 “Levies”. IFRIC 21, “Levies”, sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

The interpretation is adopted retroactively for consolidated financial statements for the year ended 31 March 2014.

As a result, the trade and other payables and the deferred tax assets as of 31 March 2015 increased by ¥1,318 million and ¥461 million respectively and the retained earnings as of 31 March 2015 decreased by ¥857 million.

The hall operating expenses and general and administrative expenses for the year ended 31 March 2015 increased by ¥54 million and ¥21 million respectively and the other operating expenses for the year ended 31 March 2015 decreased by ¥1 million.

The impacts on the operating profit for year ended 31 March 2015 are a decrease of ¥74 million.

Other amendments to IFRSs effective for the year ended 31 March 2015 does not have a material impact on the Group.

2. NOTES FOR CONSOLIDATED BALANCE SHEET

- 1) **Accumulated depreciation for property, plant and equipment** ¥152,581 million

Accumulated depreciation includes accumulated impairment loss.

2) **Assets submitted as collateral and secured liabilities**

1. The book value of the assets submitted as collateral

Buildings including leasehold improvements	¥314 million
Freehold land	<u>¥2,599 million</u>

Total	<u>¥2,913 million</u>
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2. Secured liabilities

Borrowings	<u>¥3,345 million</u>
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3) **Allowance for doubtful accounts**

¥21 million

3. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

- 1) **Total number of issued Shares as at the end of the consolidated fiscal year**

Ordinary Shares	742,850,360 Shares
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- 2) **Dividend from surplus during the consolidated fiscal year**

Resolution	Class of Share	Dividend amount (Millions of yen)	Dividend amount per Share	Record date	Effective date
Board of Directors' meeting on 29 May 2014	Ordinary Share	5,199	7.00	5 June 2014	27 June 2014
Board of Directors' meeting on 27 November 2014	Ordinary Share	5,199	7.00	12 December 2014	14 January 2015

- 3) **Dividend from surplus, of which record date and effective date come in the subsequent fiscal year**

Resolution	Class of Share	Dividend amount (Millions of yen)	Dividend amount per Share	Record date	Effective date
Board of Directors' meeting on 28 May 2015	Ordinary Share	5,199	7.00	3 June 2015	25 June 2015

4. NOTES TO FINANCIAL INSTRUMENTS

1) Conditions of financial instruments

(1) *Policy for financial instruments*

The Group's activities expose the Group to a variety of market risk, credit risk and liquidity 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.

(2) *Contents and risks of financial instruments*

(i) *Market risk*

1. Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in Hong Kong dollars ("HK\$") and United States dollars ("USD").

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.

2. Price risk

The Group's financial assets and listed equity securities classified as 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 and are exposed to equity security price risk. The Group periodically reviews the fair values of these investments as well as the financial condition of investees.

3. Interest rate risk

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

(ii) *Credit risk*

The carrying amount of the bank and cash balance, pledged bank deposits, trade and other receivables and derivative financial instruments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

Amounts due from related companies are closely monitored by the Directors.

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.

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

The Group's credit terms generally range from 1 to 30 days.

No balances were past due at the year ended 31 March 2015.

(iii) *Liquidity risk*

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

2) Fair Value of Financial Instruments

The carrying amounts and fair values of financial assets and liabilities are as follows

	At 31 March 2015	
	¥ million	
	Carrying amount	Fair value
Financial assets		
Available-for-sale financial assets	8,807	8,807
Financial assets measured at fair value through profit or loss	2,925	2,925
Held-to-maturity investment	10	10
Loans and receivables (including cash and cash equivalents)	31,247	31,247
Rental deposits	5,510	6,019
	<u>48,499</u>	<u>49,008</u>
Financial liabilities		
Derivative financial instruments	—	—
Financial liabilities at amortised cost	11,100	11,100
Borrowings	12,320	12,320
Finance lease payables	320	320
	<u>23,740</u>	<u>23,740</u>

(a) Fair Value Measurement

(i) *Available-for-sale financial assets*

The fair values of listed investments are based on quoted bid prices at the end of the reporting period. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using reasonable valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

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

The fair values of listed investments are based on quoted bid prices at the end of the reporting period.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are financial assets and based on quoted bid prices at the end of the reporting period.

(iv) Receivables, and cash and cash equivalents

The fair values of the Group's financial assets, including trade and other receivables, and cash and cash equivalents approximate their carrying amounts due to their short-term maturities.

(v) Financial liabilities at fair value through profit or loss

The fair value of the interest rate swap contracts as at 31 March 2015 is based on the valuation performed by AVISTA Valuation Advisory Limited, 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.

(vi) Other financial liabilities

Other financial liabilities which include borrowings and lease obligations are subsequently measured, by each liabilities classified by period, at present value discounted by the interest rate which takes into account duration and credit risk. The carrying amounts of financial liabilities other than above approximate their fair values, hence they are settled in short term.

(b) Fair Value estimation

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

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices present actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available-for-sale financial assets and financial assets measured at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Assets and liabilities that are measured at fair value on a recurring basis

At 31 March 2015

Description	Fair value measurements using:			Total ¥ million
	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	
Recurring fair value measurements:				
Financial assets measured at fair value through profit or loss				
Listed securities in Hong Kong	2,925	—	—	2,925
Available-for-sale financial assets				
Listed securities in Japan	647	—	—	647
Listed securities in Hong Kong	7,132	—	—	7,132
Others	<u>—</u>	<u>—</u>	<u>1,028</u>	<u>1,028</u>
	<u>7,779</u>	<u>—</u>	<u>1,028</u>	<u>8,807</u>
Total	<u>10,704</u>	<u>—</u>	<u>1,028</u>	<u>11,732</u>

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

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements are as follows:

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

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

Level 3 fair value measurements

Description	Valuation technique	Inputs	Fair value 2015 ¥ million
Unlisted equity securities and others	Discounted cash flow method	Discount rate	<u>1,028</u>

Assets and liabilities that are not measured at fair value in the consolidated statement of financial position but for which the fair value is disclosed

Following items are included within financial assets and liabilities which are not measured at fair value as of the reporting period. The fair value of these items are shown in the table below. Note that items with the carrying amounts which are reasonable approximation of fair values are not presented in the table.

At 31 March 2015

Description	Fair value measurements using:			Total ¥ million
	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	
Financial assets				
Rental deposits	—	6,019	—	6,019
Total	<u>—</u>	<u>6,019</u>	<u>—</u>	<u>6,019</u>

5. NOTES TO INFORMATION PER SHARE

1)	Equity attributable to owners of the Company per Share	181.84 yen
2)	Basic earnings per Share	15.22 yen

6. NOTES TO SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

**CERTIFIED COPY OF THE ACCOUNTING AUDITORS' REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS**

(English Translation*)

INDEPENDENT AUDITOR'S REPORT

27 May 2015

To the Board of Directors 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.*:

PricewaterhouseCoopers Aarata
Hideaki Zenba, CPA
Designated and Engagement Partner
Yoshihisa Chiyoda, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 444 (4) of the Companies Act of Japan, the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in equity and notes to the financial statements of DYNAM JAPAN HOLDINGS CO., LTD. (hereinafter referred to as the "Company") for the 4th fiscal year from 1 April 2014 to 31 March 2015.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with designated International Financial Reporting Standard with certain omissions of disclosure items pursuant to the latter part of the first paragraph of Article 120 of the Ordinance of Companies Accounting, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the consolidated financial statements in accordance with designated International Financial Reporting Standard with certain omissions of disclosure items pursuant to the latter part of the first paragraph of Article 120 of the Ordinance of Companies Accounting.

Conflict of Interest

We have no interest in or relationship with the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

BALANCE SHEET
(As of 31 March 2015)

(Millions of yen)

(Assets)	
Current assets	42,384
Cash and deposits	11,336
Prepaid expenses	104
Accrued income	3
Short-term loans receivable	27,001
Accounts receivable-other	3,906
Other	31
Non-current assets	61,444
Property, plant and equipment	364
Buildings	149
Tools and equipment	5
Land	200
Construction in progress	9
Intangible assets	11
Trademarks	11
Other	0
Investments and other assets	61,068
Stocks of subsidiaries and affiliates	60,767
Others	300
Total assets	<u>103,829</u>

(Millions of yen)

(Liabilities)	
Current liabilities	8,060
Borrowings	3,000
Accounts payable-other	40
Income taxes payables	214
Consumption taxes payables	21
Accrued expenses	62
Deposits received	4,709
Provision for Directors' bonuses	13
Non-current liabilities	42
Long-term accounts payable	26
Deferred tax liabilities	<u>15</u>
Total liabilities	<u>8,102</u>
(Net assets)	
Shareholders' equity	95,726
Capital stock	15,000
Capital surplus	55,467
Legal capital surplus	7,133
Other capital surplus	48,333
Retained earnings	25,258
Other retained earnings	25,258
Retained earnings brought forward	<u>25,258</u>
Total net assets	<u>95,726</u>
Total liabilities and net assets	<u><u>103,829</u></u>

STATEMENT OF INCOME
(From 1 April 2014 to 31 March 2015)

(Millions of yen)

Net sales		<u>21,084</u>
Gross profit		21,084
Selling, general and administrative expenses		<u>1,082</u>
Operating income		20,002
Non-operating income		
Interest income	311	
Foreign exchange gains	2,073	
Other	<u>20</u>	2,405
Non-operating expense		
Financing expenses	232	
Other	<u>0</u>	<u>232</u>
Ordinary income		22,175
Extraordinary income		
Gains on sales of Stocks of subsidiaries	91	91
Extraordinary expense		
Other	<u>0</u>	<u>0</u>
Income before income taxes		22,267
Income taxes — current	646	
Income taxes — deferred	<u>10</u>	<u>656</u>
Net income		<u><u>21,610</u></u>

STATEMENT OF CHANGES IN NET ASSETS

(From 1 April 2014 to 31 March 2015)

(Millions of yen)

	Capital stock	Legal capital surplus	Shareholders' Equity Capital surplus Other capital surplus	Total capital surplus
Balance as of 1 April 2014	15,000	7,133	48,333	55,467
Changes during the fiscal year				
Dividends				
Net income				
Total changes during the fiscal Year	—	—	—	—
Balance as of 31 March 2015	15,000	7,133	48,333	55,467

	Other retained earnings Retained earnings brought forward	Shareholders' Equity Retained earnings Total retained earnings	Total shareholders' equity	Total net assets
Balance as of 1 April 2014	14,048	14,048	84,515	84,515
Changes during the fiscal year				
Dividends	(10,399)	(10,399)	(10,399)	(10,399)
Net income	21,610	21,610	21,610	21,610
Total changes during the fiscal Year	11,210	11,210	11,210	11,210
Balance as of 31 March 2015	25,258	25,258	95,726	95,726

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(1) Valuation method of significant assets

Valuation method of securities

Investments in subsidiaries: Investments in subsidiaries are stated at cost less impairment, determined by the moving average method.

(2) Depreciation method of depreciable assets

Property, plant, and equipment: Depreciation of property, plant and equipment is calculated on the declining-balance method, while the straight-line method is applied to buildings (excluding leasehold improvements).

Intangible assets: Amortisation of intangible assets is calculated on the straight-line method. Software used for internal purposes is amortized on the straight-line method over its estimated useful life (5 years).

(3) Recognition and measurement of significant provisions and allowances

Provision for Directors' bonuses

Provision for Directors' bonuses is made for the estimated amounts to be paid during the fiscal year under review.

(4) Translations of foreign currency receivables and payables

Foreign currency receivables and payables are translated at the exchange rates at the end of each reporting year. Gains and losses resulting from this translation policy are recognised in profit or loss.

(5) Other significant accounting policies for financial statements

Cash Management System (CMS)

As a result of utilization of Cash Management System (CMS) for the purpose of promoting efficient use of the Group funds, the Company has "short-term loans receivable" of ¥16,920 million due to the Group companies and "deposits received" of ¥4,702 million due from the Group companies.

Accounting for consumption tax

The amounts in the financial statements are presented without consumption or local consumption taxes.

2. NOTES TO BALANCE SHEET

(1) Accumulated depreciation

Property, plant, and equipment	¥58 million
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(2) Provision for contingent losses

Guarantees for the debts owed to other companies from financial institutions are as follows:

(Millions of yen)

DYNAM Co., Ltd.	9,000
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(3) Assets and liabilities of subsidiaries and affiliates

(Millions of yen)

Short-term receivables	27,008
Short-term payables	4,722

3. NOTES TO STATEMENT OF INCOME

Transactions with subsidiaries and affiliates

(Millions of yen)

Business transactions	
Net sales	21,084
Selling, general and administrative expenses	58
Other transactions	331

4. NOTES TO STATEMENT OF CHANGES IN NET ASSETS

Notes are stated in the "NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS" and omitted in this sheet.

5. NOTES TO INCOME TAXES

(1) Deferred tax assets (current)

(Millions of yen)

Deferred tax assets	
Accrued enterprise tax	40
Accrued bonuses	14
Other	0
	<u>56</u>
Valuation allowance	(56)
Total	<u><u>—</u></u>

(2) Deferred tax assets (non-current)

(Millions of yen)

Deferred tax assets	
Investment in subsidiaries and affiliates	1,005
Other	9
	<u>1,015</u>
Subtotal	1,015
Valuation allowance	(1,015)
Total	<u><u>—</u></u>

(3) Deferred tax liabilities (non-current)

(Millions of yen)

Deferred tax liabilities	
Foreign exchange gains	15
Total	<u><u>15</u></u>

Under the Tax Reform 2015 announced by The Ministry of Finance of Japan in March 2015, which is applicable to the fiscal year beginning on or after 1 April 2014, the effective corporate tax rate including the corporate income tax, resident tax and business tax, of the Company has changed from 35.6% to 33.1% for temporary differences expected to be collected or paid in the fiscal year beginning on 1 April 2015 and to 32.3% for temporary differences expected to be collected or paid in the fiscal year beginning on and after 2016.

The change of corporate tax rate does not have a material impact on the Company.

6. NOTES TO RELATED PARTY TRANSACTIONS

Transactions with subsidiaries

(Millions of yen)

Type	Company Name	Ownership	Relationship		Transaction	Amounts	Account name	Balance
			Interlocking directors	Business relationship				
Subsidiaries	DYNAM Co., Ltd.	Direct Ownership 100%	Present	Business Management	Funds in trust (Note 2)	—	Deposits received	2,635
					Interest Expense (Note 2)	1	—	—
					Management consulting fee (Note 3)	540	—	—
					Dividend income (Note 4)	20,185	—	—
					Guarantee of liabilities (Note 5)	9,000	—	—
	DYNAM Business Support Co., Ltd.	Direct Ownership 100%	—	Business Management	Lending of funds (Note 1)	15,800	Short-term loans receivable	15,800
					Dividend income (Note 1)	188	Accrued income	2
					Funds in trust (Note 2)	—	Deposits received	346
					Interest expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	15	—	—
	Cabin Plaza Co., Ltd.	Direct Ownership 100%	—	Business Management	Funds in trust (Note 2)	—	Deposits received	1,292
					Interest expense (Note 2)	0	—	—
					Management Consulting Fee (Note 3)	7	—	—
					Dividend income (Note 4)	300	—	—
					Lending of funds (Note 1)	1,000	Short-term loans receivable	1,000
	HUMAP Japan Co., Ltd.	Direct Ownership 100%	—	Business Management	Income interest (Note 1)	1	Accrued income	0
					Funds in trust (Note 2)	—	Deposits received	254
					Interest expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	36	—	—
					Lending of funds (Note 1)	10,081	Short-term loans receivable	10,081
	Dynam Hong Kong Co., Limited (大樂門香港有限公司)	Direct Ownership 100%	Present	Business Management	Dividend income (Note 1)	121	Accrued income	1

(Notes) Conditions of transactions and policy regarding determination of conditions of transactions

1. An interest rate on lending of funds is reasonably determined at the Board of Directors' meeting in consideration of the market interest rate.
2. The transaction amount of funds in trust is omitted since it is a short-term and recursive transaction. An interest rate thereon is reasonably determined at the Board of Directors' meeting in consideration of the market interest rate.
3. Management consulting fees are determined at the Board of Directors' meeting based on the objective standard in consideration of basic management indicators and financial capacity of subsidiaries.

4. Dividends are distributed in accordance with the standard of dividends specified by the Company which is a holding company.
5. The Company served as a guarantor for bank borrowing of DYNAM Co., Ltd. without receiving any guarantee fee.

7. NOTES TO PER SHARE INFORMATION

(Yen)

Net assets per Share	128.86
Net income per Share	29.09

8. NOTES TO SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

CERTIFIED COPY OF THE ACCOUNTING AUDITORS' REPORT

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

27 May, 2015

To the Board of Directors 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.*:

PricewaterhouseCoopers Aarata
Hideaki Zenba, CPA
Designated and Engagement Partner
Yoshihisa Chiyoda, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, statement of income, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of DYNAM JAPAN HOLDINGS CO., LTD. (hereinafter referred to as the "Company") for the 4th fiscal year from 1 April 2014 to 31 March 2015.

Management's Responsibility for the financial statements and the supplementary schedules

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit

procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

Conflict of Interest

We have no interest in or relationship with the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

CERTIFIED COPY OF THE AUDIT COMMITTEE'S REPORT

(TRANSLATION)

AUDIT REPORT

The Audit Committee has conducted audits of the Directors and Executive Officers of the Company with regard to their performance of duties during the 4th fiscal year (1 April 2014 to 31 March 2015). A report covering the findings of the audit follows.

1. Method and Contents of Audit

The Company's Audit Committee monitored and examined the content of resolutions of the Board of Directors related to matters set forth in Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act, as well as the structure and operational status of the Company's internal control system as set forth in the aforementioned resolutions. To this end, the Audit Committee received yearly reports from Directors, Executive Officers and employees regarding the content of the above resolutions, and where necessary, sought explanations and voiced opinions on these matters. Moreover, in accordance with its established policies and procedures and in collaboration with the divisions in charge of internal control, the Audit Committee attended important meetings, received reports on business activities from Directors and Executive Officers, sought explanations where necessary, perused documents pertaining to important decisions, and conducted appropriate surveys of the status of business operations and assets at the Company's head office. The Audit Committee received business reports from subsidiaries as necessary, through communication and information sharing with the Directors and Corporate Auditors of the subsidiaries.

In addition, the Audit Committee monitored and verified whether the Accounting Auditors maintained its independence and properly conducted its audit, received a report from the Accounting Auditors on the status of their performance of duties, and requested explanations as necessary. The Audit Committee was notified by the Accounting Auditors that it had established a "system to ensure that the performance of the duties of the Accounting Auditors was properly conducted" (the matters listed in the items of Article 131 of the Ordinance on Company Accounting) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on 28 October 2005), and requested explanations as necessary.

Based on the above-described methods, the Audit Committee examined the Business Report, the Financial Statements (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements) and the accompanying supplementary schedules, and the Consolidated Financial Statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to Consolidated Financial Statements) for the fiscal year under consideration.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- (i) We acknowledge that the Business Report and the accompanying supplementary schedules fairly present the status of the Company in conformity with the applicable laws, regulations, and the Articles of Incorporation.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of laws, regulations, or the Articles of Incorporation was found with respect to the Directors and Executive Officers' performance of their duties.
- (iii) We acknowledge that the Board of Director's resolutions with respect to the internal control systems are appropriate. We did not find any matter in the Business Report or the Directors and Executive Officers' performance of their duties concerning the internal control systems that requiring mentioning.

(2) Results of Audit of the Financial Statements and the Accompanying Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditors, Shimbashi & Co. and Seiwa Audit Corporation, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditors, Shimbashi & Co. and Seiwa Audit Corporation, are appropriate.

28 May 2015

Audit Committee 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.*

Chairman of Audit Committee Ichiro Takano (Seal)

Member of Audit Committee Yukio Yoshida (Seal)

Member of Audit Committee Thomas Chun Kee Yip (Seal) (Note)

(Note)

- 1. Members of Audit Committee, Messrs. Ichiro Takano, Yukio Yoshida and Thomas Chun Kee Yip are Outside Directors as prescribed under Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

REFERENCE MATERIALS FOR

THE 4TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

**1. First Resolution: Partial Amendment to the Articles of Incorporation
(Special Resolution)**

The Board of Directors (the “Board”) proposes to make a partial amendment to the Articles of Incorporation (the “AOI”) as below.

(1) Reason for Amendment

- (i) Upon an amendment to the Companies Act, “Company with Committees” has been renamed to “Company with Nomination Committee, Etc.”.
- (ii) Article 3, Paragraph 1 of the revised supplementary provisions of the Companies Act stipulates that the articles of incorporation of a stock company...which is actually a Company with Committees be deemed to include the provision that such stock company has the Nomination Committee, Etc.. However, in light of the importance of the AOI, the Board proposes the actual change to the AOI as specified below.

(2) *Details of Amendment*

Details of the amendment is shown as below (The underlined section show a part to be amended):

Existing AOI	Proposed Amendment
The AOI	The AOI
Chapter 1 General Provisions	Chapter 1 General Provisions
Article 1 (Trade Name) (Omitted)	(Trade Name) Article 1 (No Change)
Article 3 (Location of Head Office) (Omitted)	Article 3 (Location of Head Office) (No Change)
Article 4 (Corporate Governance)	Article 4 (Corporate Governance)
In addition to holding a shareholders meeting and having directors, the Company is a <u>"Company with Committees"</u> having the following organs:	In addition to holding a shareholders meeting and having directors, the Company is a <u>"Company with Nomination Committee, Etc."</u> having the following organs:
(1) Board of directors	(1) Board of directors
(2) Nomination Committee	(2) Nomination Committee
(3) Audit committee	(3) Audit committee
(4) Remuneration committee; and	(4) Remuneration committee; and
(5) Accounting auditor	(5) Accounting auditor
Article 5 (Method of Public Notice) (Omitted)	Article 5 (Method of Public Notice) (No Change)
Article 55 (Statute of Limitations for Dividends Paid out of Surplus) (Omitted)	Article 55 (Statute of Limitations for Dividends Paid out of Surplus) (No Change)

2. Second Resolution: General Mandate to Allot, Issue and Deal in Shares (Ordinary Resolution)

“THAT a general unconditional mandate be and is hereby granted to the Board authorizing it to exercise all the powers of the Company during the Relevant Period (as defined below) to, subject to the requirements under the Listing Rules and/or all applicable law and regulations in Hong Kong and Japan from time to time, allot, issue and deal in Shares or securities convertible into Shares and to make an offer or agreement or grant an option which would or might require such Shares to be allotted and issued, whether during the continuance of such mandate or thereafter (other than pursuant to an offer made to the Shareholders pro-rata (apart from fractional entitlements) to their existing shareholding, or under any arrangement adopted for the grant or issue of stock acquisition rights), provided that the aggregate number of the Shares allotted or agreed conditionally or unconditionally to be allotted under such mandate shall not exceed 20% of the aggregate number of Shares issued by the Company as at the date of this resolution, such mandate to remain in effect during the Relevant Period (as defined below).

“Relevant Period” means the period from the passing of this resolution until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution;
- (ii) the expiration of a 12-month period following the passing of this resolution; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by a special resolution at a general meeting.”

3. Third Resolution: Proposed Election of Nine (9) Directors (Ordinary Resolution)

The term of office of all eight (8) current Directors will expire as of the end of this Meeting. Accordingly, the Company proposes that nine (9) Directors be elected based on the decisions by the Nomination Committee.

The details of Director candidates are as follows. Director candidates Messrs. Ichiro Takano, Noriaki Ushijima, Mitsutoshi Kato, Thomas Chun Kee Yip, Eisho Kunitomo and Kei Murayama are the candidates for Outside Directors under Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held		Number of Shares Owned
1	Yoji Sato (24 September 1945)	January 1970	Joined Sawa Shoji Co., Ltd. (currently DYNAM Co., Ltd.)	162,522,560
		September 1978	President and Representative Director of Sawa Shoji Co., Ltd.	
		June 2000	Chairman and Representative Director of DYNAM Co., Ltd.	
		April 2003	President and Representative Director of Dynam Investment Co., Ltd.	
		March 2007	Representative Director and CEO of DYNAM Holdings Co., Ltd.	
		December 2009	Representative Chairman of One Asia Foundation (present)	
		September 2011	Executive Director (present) and CEO of the Company	
		January 2013	CEO of Dynam Hong Kong Co., Limited (present)	
		June 2013	Executive Director and Chairman of the Company (present)	
2	Kohei Sato (26 November 1954)	March 1983	Joined Advantest Corporation	55,139,680
		June 1985	Joined Kodak Co., Ltd.	
		June 1995	Joined DYNAM Co., Ltd.	
		June 1998	Director, Corporate Planning Office of DYNAM Co., Ltd.	
		April 1999	Director, Sales Department of DYNAM Co., Ltd.	
		June 2000	President and Representative Director of DYNAM Co., Ltd. (present)	
		January 2013	CEO of the Company (present)	
		June 2014	Executive Director and CEO of the Company (present)	
※ 3	Haruhiko Mori (18 November 1952)	November 1998	After working in a Japanese law firm, joined DYNAM Co., Ltd.	230,000
		August 2000	General Manager, Legal Department of DYNAM Co., Ltd.	
		June 2002	Executive Officer and General Manager, Legal Department of the Company	
		June 2007	Director and General Manager, Legal Department of DYNAM Co., Ltd.	
		October 2012	Executive Officer of the Company (present)	
		May 2013	Representative Director of Shinrainomori Association (present)	
		June 2013	Managing Director of DYNAM Co., Ltd. (present)	

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Shares Owned
4	Ichiro Takano (8 May 1956)	April 1987 Registered as Attorney-at-Law April 1992 Joined Tokyo Eiwa Attorneys at Law June 2005 Independent Auditor of HIKARI TSUSHIN, INC. (present) October 2006 Auditor of DYNAM Holdings Co., Ltd. March 2007 Director of DYNAM Holdings Co., Ltd. July 2008 Established Takano Law Offices (present) September 2011 Independent Non-executive Director of the Company (present)	20,000
5	Noriaki Ushijima (12 May 1950)	April 1973 Joined Tokyo Stock Exchange, Inc. June 2004 Director and Executive Officer of Jasdaq, Inc. July 2006 Advisor of Jasdaq System Solution, Inc. March 2008 Director of DYNAM Holdings Co., Ltd. September 2011 Non-executive Director of the Company (present)	838,000
6	Mitsutoshi Kato (20 March 1958)	April 1982 Joined The Bank of Tokyo, Ltd. (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) April 1988 Seconded to Kincheng-Tokyo Finance Company Limited March 1990 Entered Banque Indosuez (currently Credit Agricole Corporate and Investment Bank) April 1991 Vice President of Banque Indosuez, Tokyo January 2005 Statutory Auditor of ECO-MATERIAL CORPORATION December 2006 Director and CFO of ECO-MATERIAL CORPORATION February 2012 Chairman and CFO of ECO-MATERIAL CORPORATION (present) February 2012 Independent Non-executive Director of the Company (present)	0
7	Thomas Chun Kee Yip (22 March 1961)	May 1984 Joined Touche Ross & Co. Hong Kong January 1986 Joined Price Waterhouse, Sydney Office December 1988 Price Waterhouse, Hong Kong Office July 1994 Senior Audit Manager of Price Waterhouse January 2002 Joined CCIF CPA Limited October 2003 Practising Director of CCIF CPA Ltd March 2008 Joined AIP Partners C.P.A. Limited, Practising Director (present) February 2012 Independent Non-executive Director of the Company (present)	0
※ 8	Eisho Kunitomo (19 July 1950)	April 1974 Joined Marubeni Corporation April 1994 Seconded to Marubeni America Corporation as General Manager August 1996 Registered as Attorney-at-Law in the State of New York April 2001 Deputy General Manager, Legal Department of Marubeni Corporation July 2003 Executive Officer in charge of Management Planning Department and General Manager, Legal and Share Management Group of Akebono Brake Industry Co., Ltd. January 2008 Senior Expert, Management Planning Office of Akebono Brake Industry Co., Ltd. August 2010 Management Planning Office of Akebono Brake Industry Co., Ltd. (present)	0

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held		Number of Shares Owned
※ 9	Kei Murayama (13 July 1954)	April 1978 March 1986 March 1996 March 2007 March 2009 March 2015	Joined SWANY Corporation Joined Lawson, Inc. (then known as Lawson Japan, Inc.) Senior Manager for Labor Administration, Tokyo Head Office of Lawson, Inc. General Manager, Personnel and Training Division of Lawson, Inc. Executive Officer of Lawson, Inc. Executive Adviser for Personnel Matters of Lawson, Inc. (present)	0

(Notes)

1. The candidate marked with ※ is a new Director candidate.
2. Each candidate has no special interest in the Company.
3. Reasons for the appointment of Outside Directors

The Company is a “Company with Committees”. A Company with Committees is an organizational framework in which the management supervision function and business execution function are clearly separated, so that both perform effectively. Under this framework, the Board of Directors specializes in management supervision, along with the 3 committees whose membership comprises a majority of the Outside Directors. These committees are the Nomination Committee, the Audit Committee and the Remuneration Committee, which were established to replace the conventional Auditors system to pursue enhanced management transparency, while Executive Officers are appointed as management personnel dedicated to perform the function of business execution. As is the case with a typical company with Committees in need of appointing a number of Outside Directors to operate the framework as described above, the Company proposes to elect six (6) Outside Directors with the aim of further strengthening the function of the Board of Directors.

In addition, all of the aforementioned candidates for Outside Directors meet the qualifications for Outside Directors required under Article 2, Item 15 of the Companies Act.

- (1) Mr. Ichiro Takano is an attorney-at-law and currently serving as outside auditor of other companies as well. He has been nominated as candidate for Outside Director, as he is expected to perform his role to supervise and check the management practice, based on his knowledge and experience as legal expert developed through his career. He is currently serving as Outside Director of the Company and will have served in that capacity for three (3) years and nine (9) months as of the conclusion of this Meeting.
- (2) Mr. Noriaki Ushijima has a wealth of experience in business and management and extensive knowledge and experience in the area of company management. He has been nominated as candidate for Outside Director, as he is expected to draw on his insight developed through his career, in performing his role to supervise and check the management practice. He is currently serving as Outside Director of the Company and will have served in that capacity for three (3) years and nine (9) months as of the conclusion of this Meeting.

- (3) Mr. Mitsutoshi Kato has a wealth of experience in company management and extensive knowledge and sophisticated insight in the area of management. He has been nominated as candidate for Outside Director, as he is expected to perform his duty to supervise and check the management practice, based on his knowledge, experience and insight as corporate executive, developed through his career. He is currently serving as Outside Director of the Company and will have served in that capacity for three (3) years and three (3) months as of the conclusion of this Meeting.
- (4) Mr. Thomas Chun Kee Yip, a Hong Kong Certified Public Accountant, is currently working as tax advisor in Hong Kong. He has been nominated as candidate for Outside Director, as he is expected to perform his role to supervise and check the management practice, based on his knowledge and experience developed through his career as tax and accounting expert. He is currently serving as Outside Director of the Company and will have served in that capacity for three (3) years and three (3) months as of the conclusion of this Meeting.
- (5) Mr. Eisho Kunitomo is qualified to be an attorney-at-law. He has a wealth of experience in overseas corporate legal affairs and extensive knowledge and deep insight on legal and compliance matters. He has been nominated as candidate for Outside Director, as he is expected to perform his role to supervise and check the management practice, based on his knowledge and experience developed through his career.
- (6) Mr. Kei Murayama has a wealth of experience and knowledge in the convenience store industry and extensive knowledge and deep insight on chain store operation. He has been nominated as candidate for Outside Director, as he is expected to perform his role to supervise and check the management practice, based on his knowledge and experience developed through his career.

4. Contracts for limitation of liability with Outside Directors

Not applicable.

4. Fourth Resolution: Proposed Election of an Auditor pursuant to the Listing Rules (Ordinary Resolution)

PricewaterhouseCoopers Aarata (“PWC Aarata”), the current Auditor of the Company pursuant to Rule 13.88 of the Listing Rules, will retire upon the expiration of its current term of office with effect from the conclusion of the Meeting. Accordingly, the election of a candidate is newly proposed.

Details of a candidate are as follows:

(As of 31 March 2015)

Name	PricewaterhouseCoopers Aarata	
Principal Office	8-21-1 Ginza, Chuo-ku, Tokyo, Japan	
History	June 2006: Establishment of PwC Aarata July 2006: Inauguration of operations	
Capital	1,888 million yen	
Staffing	Partners	115
	Certified Public Accountants (“CPAs”)	773
	Assistant CPAs	419
	US CPAs and other professionals	581
	Clerks	<u>325</u>
	Total	<u><u>2,213</u></u>

This resolution is proposed based on the recommendation of the Audit Committee.

5. RECOMMENDATION

The Directors are of the opinion that the granting of the general mandate to allot, issue and deal in Shares to the Directors, the proposed election of the Director candidates and the proposed election of an Auditor pursuant to the Listing Rules as detailed in the sections above and Appendix III are in the best interests of the Company and the Shareholders as a whole. Accordingly, they recommend the Shareholders to vote in favour of the First, Second, Third and Fourth Resolutions, as set out in the Notice.

**SUPPLEMENTAL INFORMATION ON THE THIRD RESOLUTION:
Proposed Election of Nine (9) Directors (Ordinary Resolution)**

ELECTION OF DIRECTORS

As stated in Part 3 of Appendix II, the following candidates (the “Candidates”) are recommended by the Nomination Committee of the Board to be, subject to Shareholders’ approval, elected as Directors:

Executive Directors:

Mr. Yoji SATO (*Chairman of the Board*)

Mr. Kohei SATO (*Chief Executive Officer of the Company*)

Mr. Haruhiko MORI (*Executive Officer of the Company*)

Non-executive Director:

Mr. Noriaki USHIJIMA

Independent Non-executive Directors:

Mr. Ichiro TAKANO

Mr. Mitsutoshi KATO

Mr. Thomas Chun Kee YIP

Mr. Eisho KUNITOMO

Mr. Kei MURAYAMA

The Board wishes to supply the following additional information relating to the Candidates pursuant to Rule 13.51(2) of the Listing Rules to enable the Shareholders to make an informed decision on the election. This additional information should be read in conjunction with those provided in Part 3 of Appendix II.

Length of service

The Candidates, if elected as Directors at the Meeting, will hold office with immediate effect until the close of the next annual general meeting of the Shareholders to be held in 2016. The length of service of the Candidates with the Company shall be one year.

Proposed remuneration

Pursuant to Rule 13.51(2)(g) of the Listing Rules, the proposed annual remuneration of the Candidates is set out below:

Executive Directors

Mr. Yoji SATO ¥6,300,000

Mr. Kohei SATO ¥42,000,000

Mr. Haruhiko MORI ¥37,427,000

Non-executive Director

Mr. Noriaki USHIJIMA ¥6,000,000

Independent non-executive Directors

Mr. Ichiro TAKANO	¥6,000,000
Mr. Mitsutoshi KATO	¥6,000,000
Mr. Thomas Chun Kee YIP	¥6,000,000
Mr. Eisho KUNITOMO	¥6,000,000
Mr. Kei MURAYAMA	¥6,000,000

The proposed remuneration set out above is conditional upon the election of the Candidates as Directors at the Meeting.

Relationship with Directors, senior management, substantial Shareholders and/or controlling Shareholders

The Candidates have no financial, business, family or other material/relevant relationships with each other, except that each of Mr. Yoji SATO and Mr. Kohei SATO is a controlling Shareholder and these two persons are brothers. In addition, each of the Sato Family Members (as defined hereinafter) is a controlling Shareholder and a family member of Mr. Yoji SATO.

Interests in the Company and/or associated corporations of the Company

As at the date of the Notice, the interests and short positions of the Candidates of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to there in, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), are as follows:

(i) Interests in the Company

Name of Candidate	Nature of Interest	Number of Shares of the Company ⁽¹⁾	Approximate Percentage of Interest in the Company ⁽²⁾
Mr. Yoji SATO ("Mr. Sato")	Beneficial owner ⁽³⁾	162,522,560	62.180%
	Interest in controlled corporation ⁽³⁾	95,810,000	
	Interest in spouse ⁽³⁾	760	
	Other ⁽⁵⁾	<u>203,571,800</u>	
Mr. Kohei SATO		461,905,120	62.180%
	Beneficial owner ⁽⁴⁾	55,139,680	
	Other ⁽⁵⁾	<u>406,765,440</u>	
		461,905,120	

Name of Candidate	Nature of Interest	Number of Shares of the Company⁽¹⁾	Approximate Percentage of Interest in the Company⁽²⁾
Mr. Haruhiko MORI	Beneficial owner	230,000	0.031%
Mr. Noriaki USHIJIMA	Beneficial owner	838,000	0.113%
Mr. Ichiro TAKANO	Beneficial owner	20,000	0.003%

Notes:

- (1) All interests stated are long positions.
- (2) There were 742,850,360 Shares in issue as at 31 March 2015.
- (3) Mr. Sato is beneficially interested in 162,522,560 Shares. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Sato's interests under the SFO. Rich-O Co., Ltd., which owns 95,810,000 Shares is a company owned as to 99.9% and controlled by Mr. Sato.
- (4) Mr. Kohei SATO, one of the Sato Family Members (as hereinafter defined), became the Executive Director of the Company on 26 June 2014. He is beneficially interested in 55,139,680 Shares.
- (5) The Sato family members ("Sato Family Members") consist of Mrs. Keiko SATO (wife of Mr. Sato), Mrs. Yaeko NISHIWAKI (sister of Mr. Sato), Mr. Masahiro SATO (brother of Mr. Sato), Mr. Shigehiro SATO (brother of Mr. Sato), Mr. Kohei SATO (brother of Mr. Sato and Chief Executive Officer), and Mr. Kiyotaka SATO (uncle of Mr. Sato). The Sato Family Members are the beneficial owners of 203,572,560 Shares. Each of the Sato Family Members is a family member of Mr. Sato and of each other, and is therefore deemed to be interested in the Shares in the Company in which Mr. Sato is interested, and Mr. Sato is deemed to be interested in the Shares in the Company in which each of the Sato Family Members is interested.

Save as disclosed above, as at the date of the Notice, none of the Candidates had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interest in the associated corporation

None of the Candidates has any interests or short positions in the shares or underlying shares or debentures of any associated corporation of the Company.

Additional information under Rule 13.51(2)

Saved as disclosed in the Notice, the Candidates have not been the directors of public companies the securities of which are listed on a securities exchange in Hong Kong or overseas in the three years immediately preceding the date of the Notice, and there is no other information regarding the Candidates to be disclosed pursuant to any requirements of provisions under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there other matters that would otherwise need to be brought to the attention of the Shareholders and the Stock Exchange.

Independence requirements under Rule 3.13

Mr. Ichiro TAKANO, Mr. Mitsutoshi KATO, Mr. Thomas Chun Kee YIP, Mr. Eisho KUNITOMO and Mr. Kei MURAYAMA are candidates for Independent Non-executive Directors of the Company under the Listing Rules. The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

Mr. Ichiro TAKANO, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP were Outside Directors (shagai torishimariyaku 社外取締役) during the period from 26 June 2014 to the date of the Notice. The Directors are of the view that this position does not affect these three persons' independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by the Company's Japan legal adviser, Soga Law Office, the five persons, as Outside Directors (shagai torishimariyaku 社外取締役), were not allowed to perform any executive functions in the Company under the relevant Japanese law and (ii) the three persons are independent of the Company, Directors, Chief Executive Officer, substantial Shareholders, controlling Shareholders, each of our subsidiaries and each of their respective associates.

APPENDIX IV

The guide map of Annual General Meeting of Shareholders

Location Location 2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
DYNAM Headquarter

Tel. 03-5850-3660

Access JR Yamanote Line, Keihin Tohoku Line, Joban Line “Nippori Station”

