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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 Nishinippori, Arakawa-ku, Tokyo, Japan on Tuesday, June 25, 2013 at time 10:00 (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 Auditor and the review by the Audit Committee on the Consolidated Financial Statements for the 2nd fiscal year (from April 1, 2012 to March 31, 2013)
2. Report on the Non-consolidated Financial Statements for the 2nd fiscal year (from April 1, 2012 to March 31, 2013)

MATTERS TO BE RESOLVED

First Resolution	Partial Amendments to the Articles of Incorporation
Second Resolution	General Mandate to Allot, Issue and Deal in Shares
Third Resolution	Election of Seven (7) Directors
Fourth Resolution	Election of an Auditor in Accordance With the Rules Governing the Listing of Securities on 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 and Chief Executive Officer

Tokyo, Japan, June 3, 2013

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 Directors are Mr. Yoji SATO, the non-executive Director is Mr. Noriaki USHIJIMA and the independent non-executive Directors 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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

June 3, 2013

Yoji Sato, Chairman of the Board and Chief Executive Officer
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 Nishinippori, Arakawa-ku, Tokyo, Japan

**CONVOCATION NOTICE
FOR THE 2ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

NOTICE IS HEREBY GIVEN THAT the 2nd 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:** Tuesday, June 25, 2013 at 10 a.m., Japan time (Reception starts at 9:30 a.m.)
2. **Location:** Head Office Building, DYNAM Co., Ltd.,
2-27-5 Nishinippori, 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 Auditor and the review by the Audit Committee on the Consolidated Financial Statements for the 2nd fiscal year (from April 1, 2012 to March 31, 2013)
2. Report on the Non-consolidated Financial Statements for the 2nd fiscal year (from April 1, 2012 to March 31, 2013)

Matters to be Resolved

First Resolution	Proposed Partial Amendments to the Articles of Incorporation
Second Resolution	General Mandate to Allot, Issue and Deal in Shares
Third Resolution	Proposed Re-election of Seven (7) Directors
Fourth Resolution	Proposed Election of 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 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 proxy 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 Annual General Meeting of Shareholders 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.

- (1) All resolutions set out in this Notice will be decided by poll at the above meeting in accordance with Rule 13.39(4) of the Listing Rules.
- (2) Shareholders of the Company having voting rights recorded in the most recent share registry as of 31 March, 2013 shall be deemed to be shareholders permitted to attend and vote at the above meeting.
- (3) Beneficial owners of 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 of the Company 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.

In the event of any changes being made to “REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS”, or to the “Business Report”, “Consolidated Financial Statements”, or the “Non-Consolidated Financial Statements”, matters as changed will be posted on the Company’s website on the Internet (<http://www.dyjh.co.jp>).

BUSINESS REPORT

(April 1, 2012 to March 31, 2013)

1. GROUP

(1) Business in the Consolidated Fiscal Year Ended March 31, 2013

Progress of Business and Results

The business conditions for the Japanese economy during the fiscal year under review remained difficult as a result of factors including reductions in exports and production due to the debt crisis in Europe and slowdown in the economies overseas. However, since the start of the new government in December 2012, significant improvements were seen with stock prices as a result of anticipations towards the monetary easing and economic policies. Furthermore, there are increased hopes that a recovery in the real economy will in turn bring about improvements in corporate earnings and individual consumption.

Meanwhile, in the pachinko hall industry, according to the “White Paper of Leisure 2012”* released by the Japan Productivity Center, the population of pachinko and pachislot players, which had grown at a rate of approximately 1 million people since 2007, decreased by 4.1 million year on year to 12.6 million in 2011, a drop of ¥1,484.0 billion year on year in market size to ¥18,896.0 billion when compared to playing cost.

Within this business environment and in consideration of the DYJH Group's corporate philosophy of “A centurial commitment to building trust and encouraging dreams”, the Group listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on August 6, 2012 in an effort to strengthen its core businesses, expand its operations through business opportunities in Asia as well as Japan, and pursue its desire to improve the social standing of the pachinko industry in Japan. In addition, the Group established Dynam Hong Kong Co., Limited on January 7, 2013 as a local subsidiary in Hong Kong so that Hong Kong can serve as a key base for the investment, management, and development of businesses overseas.

In the pachinko halls business, the Group's core business, recent years have seen intensified competition of introductions of larger halls and excessive advertising campaigns aimed mainly at customers in the heavy user group who prefer speculative high-risk, high-return plays. On the other hand, there has been a decrease in customers for the existing 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 have been rapidly spreading. Naturally, the potential market is believed to be larger for low playing cost machines than for the existing 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 low costs. During the fiscal year under review, the Group opened 7 new halls with low playing cost machines and converted existing 2 halls which focused on four-yen pachinko to specialized halls with low playing cost machines. Consequently, there are now 188 specialized halls with low playing cost machines, making up over half of the Group's 362 halls.

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

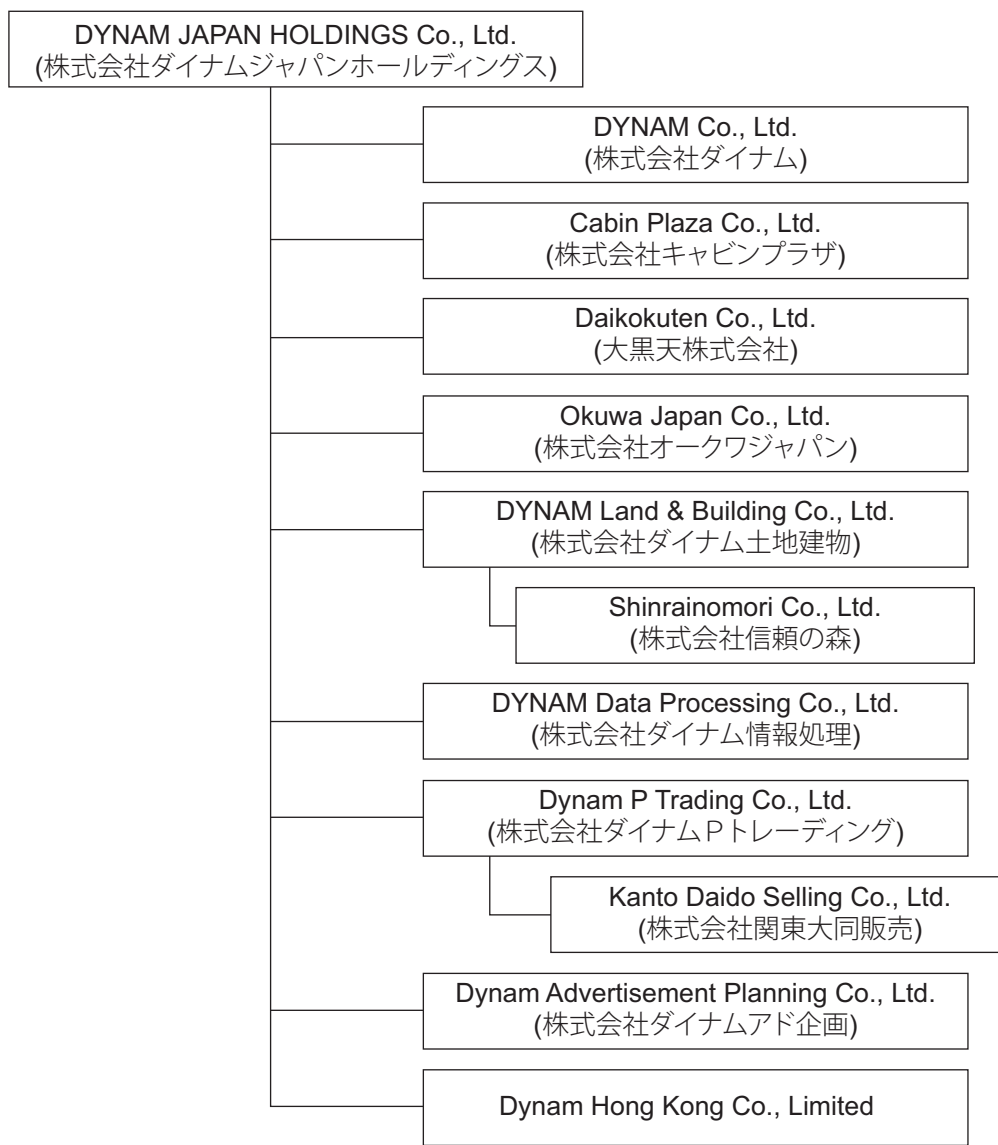
The Group recorded operating revenue of ¥162.730 billion, operating income of ¥31.711 billion, ordinary income of ¥34.603 billion, and net income of ¥22.049 billion.

On a non-consolidated basis, the Company recorded net sales of ¥15.864 billion, operating income of ¥14.547 billion, ordinary income of ¥17.139 billion, and net income of ¥16.609 billion.

Beginning from the fiscal year under review, the Company has changed its recognition and presentation of net sales from gross basis to net basis in consideration of International Financial Reporting Standards. As a result, method of calculating tax in respect to retained balls has also been changed, which is currently under query with the tax authorities, and tax return amendments may be recommended by the tax authorities.

* "The White Paper of Leisure 2012" was released by the Japan Productivity Center. As it summarizes the actual use of leisure facilities based on a field survey of the leisure activities of 3,294 people over age 15 throughout Japan, it is widely used as a source for representative statistics related to leisure.

Group Companies



(Notes)

1. The Company transferred all of the issued shares of Shinrainomori Co., Ltd. held by the Company to its subsidiary DYNAM Land & Building Co., Ltd on January 1, 2013.
2. Dynam Hong Kong Co., Limited was established as a subsidiary of the Company on January 7, 2013.
3. The subsidiaries listed above are consolidated subsidiaries.

(2) Capital Expenditure

Total capital expenditures for the fiscal year under review was ¥11.235 billion, mainly consisting of buildings and structures as well as tools, furniture and fixtures accompanying the opening and business conversion of new pachinko halls.

(3) Financing

During the fiscal year under review, HK\$1,568 million* was procured through a public share offering accompanying listing on The Stock Exchange of Hong Kong Limited. Furthermore, the Group made efforts to streamline funds and reduce interest-bearing debt through the introduction of CMS (cash management system) that allowed the central management of funds for each Group company. Note that the Group had interest-bearing debt of ¥5.653 billion as of the end of fiscal year under review, a year-on-year decrease of ¥17.690 billion.

* When converted into Japanese yen using the Mizuho Bank TTM Rate (HK\$1=¥10.13) as of August 6, 2012, the amount is ¥15.883 billion.

(4) 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

The transfer of shares of Shinrainomori Co., Ltd.

As part of the Group's restructuring, 100% of the issued shares of Shinrainomori Co., Ltd. were acquired by DYNAM Land & Building Co., Ltd. on January 1, 2013.

(5) Management Issues

1) Establishing a system for accelerating the speed of opening new halls

Working towards our targets of establishing 1,000 halls in 10 years by the fiscal year ending March 31, 2023 and attaining a 10% share of the total number of halls in the pachinko hall industry, the Group will establish a system that allows it to open over 40 halls per year. In order to make this system firm, the Group will work to improve the management efficiency of the entire Group and to concentrate business resources through means such as the restructuring of the Group companies.

2) 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 OJT, reviewing the headquarters and supervisory organizations that serve to support halls, and streamlining through the deployment of the proper number of personnel.

3) *Promoting the expansion of businesses in the Asian region*

The Group is proceeding with preparations for the future expansion of business in the Asian region through the collection and analysis of business information of the region at the local subsidiary in Hong Kong, Dynam Hong Kong Co., Limited.

4) *Strengthening internal control*

The Group has established the Group Internal Control Committee in an effort to strengthen the internal control systems of the Group. Going forward, the Group will implement improvements to the system in line with its system for accelerating the speed of opening new halls.

(6) Trends in Property and Gains (Losses)

	1st consolidated fiscal year	2nd consolidated fiscal year
	Fiscal year ended March 31, 2012 (Previous fiscal year)	Fiscal year ended March 31, 2013 (Fiscal year under review)
Operating revenue (Millions of yen)	84,309	162,730
Ordinary income (Millions of yen)	15,436	34,603
Net income (Millions of yen)	8,164	22,049
Net income per share (Yen)	258.85	31.33
Total assets (Millions of yen)	149,458	161,257
Net assets (Millions of yen)	88,621	120,707
Net assets per share (Yen)	2,809.59	162.49

(Notes)

1. Amounts are rounded down to the nearest million yen, unless stated otherwise.
2. Starting from the fiscal year under review, the method for recording sales has been changed from the method, where playing cost is recorded as net sales and cost of prizes as cost of sales (gross basis) to the method where cost of sales is deducted from net sales (net basis).
3. On June 21, 2012, the Company conducted a split of its common shares at a ratio of 20 to 1, and calculated net income per share under the assumption that such share split was implemented at the beginning of the fiscal year under review.
4. As the Company is a new company established through the incorporation-type company split, its consolidated accounting period ended March 31, 2012 started on September 20, 2011.

(7) Important Parent Company and Subsidiaries

1) Status of parent company

Not applicable.

2) Important subsidiaries

(As of March 31, 2013)

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
Daikokuten Co., Ltd.	95	100	Operation of pachinko halls
Okuwa Japan Co., Ltd.	200	100	Operation of pachinko halls
DYNAM Land & Building Co., Ltd.	1,020	100	Real estate management, mediation and management of dormitories and company housing, and development of halls
Dynam Hong Kong Co., Limited	*HK\$300,000,000	100	Investment in businesses in the Asian region

* When converted into Japanese yen using the Mizuho Bank TTM Rate (HK\$1=¥11.36) as of the date of establishment on January 7, 2013, the capital stock is ¥3.408 billion.

(8) Principal Business Description

The Group comprises of the Company and its 11 subsidiaries. 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 March 31, 2013)

Type of business	Description of business
Pachinko halls business	Operating halls under the trade names of <i>Dynam</i> , <i>Yuttari Kan</i> , <i>Shinrai no Mori</i> , <i>Cabin Plaza</i> and <i>YASUMI JIKAN</i>
Real estate related businesses	Real estate management, mediation of dormitories and company housing, and development of halls

(9) Principal Business Premises

1) *The Company* (As of March 31, 2013)

Head office	2-25-1-702, Nishinippori, Arakawa-ku, Tokyo
Hong Kong branch	Unit A1, 32nd Floor, United Centre, 95 Queensway, Admiralty, Hong Kong

2) *Principal subsidiaries* (As of March 31, 2013)

DYNAM Co., Ltd.	Head office	2-27-5, Nishinippori, Arakawa-ku, Tokyo
	Halls	353 halls in 46 prefectures in Japan
	Logistics centers	14 locations in 14 prefectures in Japan
Cabin Plaza Co., Ltd.	Head office	2-14, Minamichuo, Fukushima-shi, Fukushima Prefecture
	Halls	3 halls in Fukushima Prefecture, 1 hall in Shizuoka Prefecture
Daikokuten Co., Ltd	Head office	1-9, Minamiguchicho, Kofu-shi, Yamanashi Prefecture
	Halls	2 halls in Yamanashi Prefecture
Okuwa Japan Co., Ltd.	Head office	3-4-32, Isoyama, Suzuka-shi, Mie Prefecture
	Halls	2 halls in Mie Prefecture, 1 hall in Aichi Prefecture
DYNAM Land & Building Co., Ltd.	Head office	5-21-7, Nishinippori, Arakawa-ku, Tokyo
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 March 31, 2013)

Number of Employees	Changes from the End of the Previous Fiscal Year
4,405	+24

(Notes)

1. The above number of employees refers to the number of employees at work in the Group.
2. Besides the above, there are 5,072 temporary employees.

2) *Number of employees in the Company*

(As of March 31, 2013)

Number of Employees	Changes from the End of the Previous Fiscal Year
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29	-7
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(Notes)

1. The above number of employees refers to the number of employees at work in the Company.
2. Number of employees includes secondees from subsidiaries to the Company, and excludes secondees from the Company to subsidiaries.

(11) Lenders

(As of March 31, 2013)

Lender	Loan Balance (Millions of yen)
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Mizuho Bank, Ltd.	2,727
Sumitomo Mitsui Banking Corporation	1,814
Resona Bank, Limited	571
Sumitomo Mitsui Trust Bank, Limited	540

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

(12) Other Significant Matters Related to the Corporate Group

- 1) An absorption-type merger was implemented effective April 1, 2013, in which DYNAM Land & Building Co., Ltd., a subsidiary of the Company was the surviving party, while 3 other subsidiaries namely DYNAM Data Processing Co., Ltd., Dynam P Trading Co., Ltd. and Dynam Advertisement Planning Co., Ltd. were the absorbed parties. Furthermore, DYNAM Land & Building Co., Ltd. changed its trade name to Dynam Business Support Co., Ltd. on the same date.
- 2) An absorption-type merger was implemented effective April 1, 2013, in which Cabin Plaza Co., Ltd., a subsidiary of the Company was the surviving party, while 2 other subsidiaries of the Company, namely DAIKOKUTEN Co., Ltd. and Okuwa Japan Co., Ltd. were the absorbed parties.

2. MATTERS RELATED TO THE SHARES IN THE COMPANY

(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	164 shareholders
(4) Major Shareholders	<i>(As of March 31, 2013)</i>

Major shareholder	Investment in the Company	
	Number of shares held (Thousands of shares)	Percentage of voting rights (%)
Yoji Sato	162,522	21.88
HKSCC NOMINEES LIMITED	122,822	16.53
Rich-O Co., Ltd.	95,810	12.90
One Asia Foundation	80,000	10.77
Yaeko Nishiwaki	62,396	8.40
Masahiro Sato	55,259	7.44
Kohei Sato	55,139	7.42
Shigehiro Sato	55,139	7.42
Kiyotaka Sato	20,400	2.75
DYNAM JAPAN HOLDINGS Employee Stock Ownership Association	19,065	2.57

(Notes)

1. No treasury shares are held.
2. HKSCC NOMINEES LIMITED is a wholly-owned sub-subsidary of Hong Kong Exchanges and Clearing Limited, also known as the Hong Kong Stock Exchange, and the nominee shareholder of the Company's stock listed on the Hong Kong Stock Exchange that are to be deposited in the account of the Central Clearing and Settlement System.

3. STOCK ACQUISITION RIGHTS

Not applicable.

4. COMPANY OFFICERS

(1) Directors and Executive Officers

(As of March 31, 2013)

Name	Position and Area of Responsibility in the Company	Responsibilities and Other Significant Concurrent Offices Held
Yoji Sato	Executive Director and CEO, Chairman of Board of Directors, Member of Nomination Committee, Member of Remuneration Committee	Director and CEO of Dynam Hong Kong Co., Limited, Representative Chairman of One Asia Foundation, Representative Chairman of Shinrainomori Association
Katsuhide Horiba	Independent Non-executive Director, Chairman of Nomination Committee, Chairman of 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, Member of 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
Kohei Sato	Chief Executive Officer	President and Representative Director of DYNAM Co., Ltd.
Yukiharu Uno	Executive Officer	
Shizuo Okayasu	Executive Officer	
Hisao Katsuta	Executive Officer	
Haruhiko Mori	Executive Officer	Director of DYNAM Co., Ltd.
Yoshiyuki Mizutani	Executive Officer	

(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. Chairman 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 Nomination Committee and member of Remuneration Committee Mr. Mitsutoshi Kato has a wealth of experience in business and management in the manufacturing industry and the financial industry, and thus has extensive knowledge and experience in the area of company management.
5. 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.
6. Chief Executive Officer Mr. Kohei Sato assumed his current position on January 25, 2013.
7. Executive Officer Mr. Haruhiko Mori assumed his current position on October 1, 2012.
8. Executive Officer Mr. Yoshiyuki Mizutani assumed his current position on November 1, 2012.

(2) Directors and Executive Officers Retired during the Fiscal Year Ended March 31, 2013

Executive Officer Mr. Hirobumi Yonehata resigned from his post on October 31, 2012.

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

At the Remuneration Committee held on September 28, 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 held on April 25, 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 Director 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 comprise of fixed remuneration, performance-related bonus to Company Officers and retirement benefits.
- (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 months 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) Retirement benefits shall be determined by the final monthly remuneration by position, co-efficiency by position, period of service (to be added up if reappointed) and co-efficiency by classification of whether full-time or part-time, and payable after resignation/retirement. Director's remuneration as such is not payable to a Director concurrently serving as an Executive Officer.

3) *Remuneration for Executive Officers*

- (i) Remuneration for Executive Officers comprises of fixed remuneration, performance-related bonus to Company Officers and retirement benefits.
- (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 months 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) Retirement benefits shall be determined by the final monthly remuneration by position, co-efficiency by position, period of service (to be added up if reappointed) and co-efficiency by classification of full-time or part-time, and payable after resignation/retirement.

4) *Other matters*

Extra amount may be added to the retirement allowance payable to executives who made remarkable achievement or contribution during his/her period of service, while certain amount may be deducted from the amount calculated as above, under specific circumstances.

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

(From April 1, 2012 to March 31, 2013)

	Number of officers	Total amount of paid remuneration
Inside Directors	1 officer	¥— million
Outside Directors	6 officers	¥36 million
Executive Officers	8 officers	¥138 million

(Notes)

1. Amounts are rounded down to the nearest million yen.
2. Amounts include provision for Directors' retirement benefits for the fiscal year under review, that are ¥2 million for Directors and ¥16 million for Executive Officers, respectively.
3. Remuneration for Directors and Executive Officers include ¥10 million of provision for Directors' bonuses for the fiscal year under review.
4. As of the end of the fiscal year under review, there are one (1) Inside Director, six (6) Outside Directors and seven (7) Executive Officers. The Inside Director is concurrently serving as Executive Officer, and the amount of paid remuneration is included in the amount for Executive Officers.
5. No remuneration other than monetary remuneration is offered to Directors and Executive Officers.

(5) Matters Regarding Outside Directors

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

Concurrent services of Directors and Executive Officers are as stated. 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*

Classification	Name	Outline of Activities
Outside Directors	Katsuhide Horiba	Mr. Horiba attended all of 13 Board of Directors' meetings, 8 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 14 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 14 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 13 Board of Directors' meetings, 8 Nomination Committee meetings and 10 Remuneration Committee meetings held in the fiscal year under review.

Classification	Name	Outline of Activities
		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 business.
	Thomas Chun Kee Yip	Mr. Yip attended all of 13 Board of Directors' meetings and 14 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

Shimbashi & Co. and Seiwa Audit Corporation

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

Classification	Amount paid
Amount of remuneration of Accounting Auditor for the fiscal year under review	¥27 million
Shimbashi & Co.	¥13 million
Seiwa Audit Corporation	¥13 million
Amount of remuneration for Accounting Auditors payable by subsidiaries	¥38 million
Total amount of money and other property benefits to be paid by the Company and subsidiaries to Accounting Auditors	¥65 million

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

(3) Non-auditing Services

Not applicable.

(4) Outline of the Contracts for Limitation of Liability

Not applicable.

(5) Policy on Determination of Removal or Disapproval of Reappointment

Upon obtaining the consent of, or based on a request from, the Board of the Audit Committee, the Board of Directors may make the dismissal or disapproval of reappointment of the Accounting Auditor a purpose of the General Meeting of Shareholders if the execution of duties of the Accounting Auditor is interfered with.

If the Accounting Auditor is deemed to fall under any item of Article 340, Paragraph 1 of the Companies Act, the Board of 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 of the Audit Committee shall report the dismissal of the Accounting Auditor and the reason therefore at the first General Meeting of Shareholders convened after the dismissal.

6. FRAMEWORKS AND POLICIES OF THE COMPANY

(1) Frameworks for Ensuring Proper Execution of Business Operations

At the Board of Directors' Meeting held on September 28, 2011, a resolution was passed on the "Basic Policy on the Frameworks for Ensuring Proper Execution of Business Operations" as per the following. Subsequently at the Board of Directors' Meeting held on April 25, 2013, resolution for partial amendments to the Policy to make it compatible with the current organizational system was passed.

A framework necessary for the Audit Committee to carry out its duties, and a framework to ensure execution of duties by Executive Officers in compliance with the applicable laws and regulations and the Company's Articles of Incorporation, as well as other frameworks to ensure the adequacy of the Company's business operation

In compliance with the requirement for the internal control system under Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act, as well as Article 112 of the Ordinance for Enforcement of the Companies Act, DYNAM JAPAN HOLDINGS Co., Ltd. shall develop the following frameworks which shall be subject to regular evaluation and improvement as appropriate.

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

Executive Officers shall establish rules in respect of document management, while maintaining and controlling information concerning the matters involving Executive Officer's approval, actions involving the approval of the Board of Directors, and other actions within the authority of Executive Officers.

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 relevant documents (including electronic documents).

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

Executive Officers shall, through business briefing sessions, precisely grasp the management conditions of each Group company, extract and sort out management issues, develop countermeasures and monitor/control the progress thereof. In such process, they keep identifying business risks that can be envisaged, and take necessary risk management measures.

Executive Officers shall, at Management Strategy Conference, set out business execution policies in respect of significant Group-wide management agendas, while establishing Group Internal Control Committee and Group Crisis Management Committee under the Management Strategy Conference, to develop and operate a system necessary to manage risks of loss.

Executive Officers shall examine the results of audits conducted by Internal Audit Department in respect of business procedure, operation standard and business performance at each Group company and take necessary measures.

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

The Board of Directors lay out the primary Group management policies, while approving the business plans/budgets developed by Executive Officers, to ensure their prompt business execution.

Executive Officers shall strive to achieve the Group-wide management objectives and goals by controlling business plans and budgets, based on the precise grasp of the day-to-day management condition of the entire Group as well as each Group company, through business briefing sessions. 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.

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

Executive Officers shall, through the intra-Group information network, keep executives and employee of the Group informed thoroughly of the "DYNAM Group Charter of Corporate Behavior" which sets out the business ethics guidelines, relevant laws and regulations, and rules and regulations of each Group company.

Executive Officers shall strive for early detection of, and timely response to the violation of laws and regulations within the Group, by utilizing an independent whistle blowing system.

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.

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

The Board of Directors shall supervise the Group-wide business execution, with the aim of maximizing the Group's corporate value, while achieving management objectives and goals (management adequacy and efficiency) in compliance with laws and regulations at each Group company.

On the basis of the management and administration agreement with each Group company, Executive Officers shall provide management and supervision, to help them achieve their management objectives and goals.

For efficient allocation of management resources across the Group, Executive Officers shall develop basic frameworks in the areas concerned with the Group-wide strategies, such as asset management and assessment thereof, human resources, treasury, internal control, legal and information disclosure, while such frameworks shall be subject to regular evaluation and improvement as appropriate.

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

Executive Officers shall assign employees of the Company in the Audit Committee Support Office that assists the duties of the Audit Committee, while no Director shall be appointed in charge of assisting 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 Reporting by Executive Officers and Employees to the Audit Committee and Framework for Other Types of Reporting to the Audit Committee*

Executive Officers shall establish a system in which Executive Officers and employees may report directly to the Audit Committee, and Executive Officers and employees shall report directly to the Audit Committee on every occasion they come across any issue with potentially significant impact on the management and business results of the Company.

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

Executive Officers shall allow an Audit Committee member nominated by the Audit Committee to attend the Management Council meetings, etc. they organize.

Executive Officers and employees shall report to the Audit Committee on the progress of the business execution, at the request of the Audit Committee or its member nominated by the Audit Committee.

Head of Internal Audit Department shall consult with the Audit Committee regarding the issues including primarily the internal audit program, and shall report to the Audit Committee on the results of the audits in respect of the Group business execution as well as the development and operation of the internal control system.

(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 income calculated according to the International Financial Reporting Standards (IFRS).

In terms of dividends from surplus, an interim dividend of ¥5.75 per share was paid out in accordance with the resolution at the Board of Directors' Meeting held on November 27, 2012. At the Board of Directors' Meeting held on May 28, 2013, it was resolved to pay ¥7.25 per share as year-end dividend. As a result, the dividend payout ratio for the fiscal year under review was 46.2%.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2013)

(Millions of yen)

(Assets)	
Current assets	55,505
Cash and deposits	41,464
Accounts receivable-trade	365
Short-term investment securities	10
Prizes	3,058
Supplies	346
Deferred tax assets	5,738
Other	4,523
Allowance for doubtful accounts	(2)
Non-current assets	105,751
Property and equipment	84,448
Buildings	44,473
Structures	6,509
Vehicles	8
Furniture and fixtures	17,388
Land	15,917
Construction in progress	150
Intangible assets	5,366
Leasehold right	3,825
Other	1,540
Investments and other assets	15,936
Investment securities	701
Investments in capital	110
Long-term loans receivable	110
Construction assistance fund receivables	531
Long-term prepaid expenses	1,336
Leased non-current assets	1,504
Guarantee deposits	6,443
Deferred tax assets	4,920
Other	342
Allowance for doubtful accounts	(65)
Total assets	<u>161,257</u>

(Millions of yen)

(Liabilities)	
Current liabilities	28,560
Accounts payable-trade	943
Current portion of long-term loans payable	1,286
Accounts payable-other	8,398
Accrued income taxes	5,655
Accrued consumption taxes	957
Accrued expenses	7,205
Deposits of retained balls	3,416
Provision for Directors' bonuses	42
Other	654
Non-current liabilities	11,988
Long-term loans payable	4,366
Long-term accounts payable-other	1,145
Provision for retirement benefits	2,461
Provision for Directors' retirement benefits	168
Asset retirement obligations	3,470
Deferred tax liabilities	47
Other	328
Total liabilities	<u>40,549</u>
(Net assets)	
Shareholders' equity	120,218
Capital stock	15,000
Capital surplus	55,467
Retained earnings	49,750
Accumulated other comprehensive income (loss)	489
Valuation difference on available-for-sale securities	114
Foreign currency translation adjustment	375
Total net assets	<u>120,707</u>
Total liabilities and net assets	<u><u>161,257</u></u>

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

Operating revenue		162,730
Net sales		164
Cost of sales		<u>6</u>
Gross profit		<u>157</u>
Operating gross profit		162,887
Selling, general and administrative expenses		<u>131,176</u>
Operating income		31,711
Non-operating income		
Interest and dividend income	39	
Foreign exchange gains	2,959	
Real estate rental income	855	
Gain on recycle card received	317	
Other	<u>352</u>	4,523
Non-operating expense		
Interest expense	428	
Real estate rental expense	269	
Financing expenses	406	
Stock issuance cost	379	
Other	<u>147</u>	<u>1,631</u>
Ordinary income		34,603
Extraordinary income		
Gain on sales of non-current assets	<u>19</u>	19
Extraordinary expense		
Loss on sales of non-current assets	65	
Loss on retirement of non-current assets	372	
Impairment loss	866	
Other	<u>17</u>	<u>1,321</u>
Income before income taxes		33,301
Income taxes-current	11,633	
Income taxes-deferred	<u>(381)</u>	<u>11,252</u>
Net income		<u>22,049</u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	SHAREHOLDERS' EQUITY			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance as of April 1, 2012	5,000	49,583	34,051	88,635
Cumulative effect of changes in accounting policies			(2,078)	(2,078)
Retained earnings brought forward as restated	5,000	49,583	31,972	86,556
Changes during the fiscal year				
Issuance of new stock	10,000	5,883		15,883
Dividends			(4,271)	(4,271)
Net income			22,049	22,049
Net changes other than shareholders' equity				—
Total changes during the fiscal year	10,000	5,883	17,778	33,661
Balance as of March 31, 2013	15,000	55,467	49,750	120,218
	Accumulated other comprehensive income (loss)			
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)	Total net assets
Balance as of April 1, 2012	(13)	—	(13)	88,621
Cumulative effect of changes in accounting policies				(2,078)
Retained earnings brought forward as restated	(13)	—	(13)	86,542
Changes during the fiscal year				
Issuance of new stock			—	15,883
Dividends			—	(4,271)
Net income			—	22,049
Net changes other than shareholders' equity	128	375	503	503
Total changes during the fiscal year	128	375	503	34,164
Balance as of March 31, 2013	114	375	489	120,707

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

1. SCOPE OF CONSOLIDATION

(1) Status of consolidated subsidiaries

Number of consolidated subsidiaries	11
Name of main consolidated subsidiaries	DYNAM Co., Ltd. Following the establishment of Dynam Hong Kong Co., Limited, the company is included in the scope of consolidation.

(2) Status of non-consolidated subsidiaries

Name of main non-consolidated subsidiaries	Shinrainomori Association
Basis for exclusion from scope of consolidation	Small-size entities of which total assets, net sales, and proportional share of net income and retained earnings are considered to be immaterial are excluded from consolidation.

2. APPLICATION OF EQUITY METHOD

Status of main non-consolidated subsidiaries and affiliates that are not accounted for using equity method

Name of main entities	Shinrainomori Association
Basis for not applying equity method	Small-size entities of which proportional share of net income and retained earnings are considered to be immaterial individually and collectively are not accounted for using equity method.

3. FISCAL YEAR-END OF CONSOLIDATED SUBSIDIARIES

Fiscal year-end of consolidated subsidiaries	The fiscal year-end of all consolidated subsidiaries is the same as the consolidated balance sheet date.
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4. SUMMARY OF ACCOUNTING POLICIES

(1) Valuation method of significant assets

1) *Short-term investment securities*

Available-for-sale securities

Listed securities	Listed securities are measured at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealized gains (losses) on available-for-sale securities", a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.
Unlisted securities	Unlisted securities are stated at cost less impairment, determined by the moving average cost method.

2) *Derivative contracts*

Derivative contracts are measured at fair value.

3) *Inventories*

Prizes Prizes are measured at cost determined by the periodic average method. (The cost method with book value written down to the net realizable value)

Supplies Supplies are measured at cost determined by the last cost method. (The cost method with book value written down to the net realizable value)

(2) Depreciation method of non-current assets

1) *Property, plant, and equipment*

Playing machines All amounts are charged to expenses when they are provided for business use.

Other Declining-balance method (straight-line method for buildings (excluding accompanying facilities) acquired on or after April 1, 1998). The principal useful lives are as follows:
Buildings 15 to 22 years
Structures 10 to 20 years

2) *Intangible assets* Straight-line method
Software used for internal purposes is amortized using the straight-line method over its estimated useful life (5 years). Fixed-term leasehold right for business purposes is amortized using the straight-line method based on its contract term.

3) *Leased non-current assets* Declining-balance method (straight-line method for buildings (excluding accompanying facilities), which are included in the leased non-current assets, acquired on or after April 1, 1998).

4) *Long-term prepaid expenses* Straight-line method

(3) Deferred charges All amounts are charged to expenses as incurred.
Stock issuance cost

(4) Recognition and measurement of provisions and allowances

1) *Allowance for doubtful accounts* Allowance for doubtful accounts for outstanding receivables including notes and accounts receivable-trade and loans receivable is provided based on the Group's past credit loss experience. Allowance for doubtful accounts for outstanding receivables which deems to be uncollectable is provided based on the estimated loss by individual basis.

2) *Provision for Directors' bonuses* Provision for Directors' bonuses is provided based on the estimated amounts to be paid during the fiscal year under review.

3) *Employees' retirement benefits* Liabilities for employees' retirement benefits are recorded based on the projected benefit obligations at the balance sheet date. All actuarial differences are charged to expenses in the following fiscal year of the year in which they arise.

4) *Provision for Directors' retirement benefits* Provision for Directors' retirement benefits is provided based on the estimated amounts to be paid in accordance with the internal rules.

(5) Accounting for significant hedging transactions

- | | |
|---|---|
| 1) <i>Accounting for hedges</i> | The Group applied deferred hedge accounting when certain criteria are met.

Interest rate swaps, which are qualified for hedge accounting and met the specific matching criteria, are not remeasured at market value. The differential paid or received under the swap agreements is recognized and included in interest expense or income. |
| 2) <i>Hedging instruments and hedged item</i> | Variable interests on long-term loans payable are designated as hedged items and interest rate swap contracts are used as hedging instruments. |
| 3) <i>Hedging policy</i> | As part of financial risk management measures, the Group utilizes derivative transactions to mitigate interest-rate risk on loans payable. |
| 4) <i>Assessment of hedge effectiveness</i> | The Group assesses hedge effectiveness by comparing the cumulative changes in the interest rate on loans payable and those on interest rate swap contracts during the period from commencement of hedging to the point of assessing effectiveness. The Group does not assess hedge effectiveness of interest rate swaps which meet specific matching criteria and qualify for hedge accounting. |

(6) Other significant accounting policies for consolidated financial statements

- | | |
|---|--|
| 1) <i>Accounting for consumption tax</i> | The amounts in the financial statements are presented without consumption or local consumption taxes. |
| 2) <i>Accounting for deposits of retained balls</i> | For retained balls (as in remaining balls in the hands of customers after playing games, for which instead of exchanging with prizes on the day of the play, customers choose to record the number of balls on their "membership card" and exchange them with prizes or use them for replays at subsequent visits), the amount of playing cost is deducted from "operating revenue" and recorded in current liabilities as "deposits of retained balls". |

NOTES TO CHANGES IN ACCOUNTING POLICIES

Change in method for recording sales

Previously, for pachinko halls business, the Company used the method that recorded playing cost as “net sales” and cost of prizes as “cost of sales” (gross basis). From the fiscal year under review however, this gross basis has been changed to the method that deducts “cost of sales” from “net sales” (net basis). This change from gross basis presentation, which recorded the playing cost as “net sales”, to net basis presentation (operating revenue), was implemented to allow for more accurate presentation of the business, such as scale of operation and trend of business results, in an effort to catch up with the increasingly diverse pricing structure of playing cost including the offer of low playing costs in recent years.

This change in accounting policies has been reflected retroactively and has no cumulative impact to the amount as at the beginning of the fiscal year under review.

Change in method for accounting retained balls

Previously, retained balls (remaining balls in the hands of customers after playing games, for which instead of exchanging with prizes on the day of the play, customers choose to record the number of balls on their “membership card” and exchange them with prizes or use them for replays at subsequent visits) were recognized as “prizes unclaimed”, where the amount of its price were multiplied by the cost percentage of prizes before being added to cost of sales, and was recorded in current liabilities as “retained goods”. Starting from the fiscal year under review, however, this has been changed to the method in which the amount of playing cost is deducted from “operating revenue”, and recorded in current liabilities as “deposits of retained balls”.

This change was necessitated by the new practice in which liabilities for retained balls hitherto recognized as prizes unclaimed became recognized as deposits of retained balls from customers following the change in the method for recording sales to net basis.

This change in accounting policies has been applied retroactively, and the cumulative impact to the amount has been reflected on the book value of net assets as at the beginning of the fiscal year under review. As a result, statement of changes in net assets reflecting such retroactive application recorded a decrease of ¥2,078 million in the balance of retained earnings as at the beginning of the year.

NOTES TO CHANGES IN PRESENTATION

Changes in consolidated statements of income

“Commission for syndicate loan” of “non-operating expense” for the previous fiscal year is presented as “financing expenses” beginning from the fiscal year under review in order to indicate the content more clearly.

NOTES TO CHANGES IN ACCOUNTING ESTIMATES

Change in expiration period of liabilities for retained balls

In the past, liabilities for retained balls deposited from members were deemed to have expired and recorded in “other” of non-operating income, if the balls remained unused for 3 years. From the fiscal year under review, however, this expiration period has been extended to 5 years in accordance with the membership agreement. As a result of this change, ¥124 million was recorded in “other” of non-operating expense as loss due to change in estimated expiration period in the fiscal year under review.

As a result of this change, “other” of non-operating income decreased by ¥14 million and ordinary income and income before income taxes decreased by the same amount compared to before.

NOTES TO CONSOLIDATED BALANCE SHEET

1. Pledged assets

(1) <i>Pledged assets consisted of the following:</i>	(Millions of yen)
Buildings	4,945
Structures	267
Land	11,466
Leased non-current assets	1
Total	16,682
Secured borrowing:	
Long-term loans payable (Including current portion)	5,653
Total	5,653
(2) <i>Assets pledged as collateral other than the above</i>	
Securities	10

2. Accumulated depreciation for property, plant, and equipment and those owed for investment purposes

<i>(including accumulated impairment loss)</i>	(Millions of yen)
Property, plant, and equipment	105,552
Investments and other assets	
Leased non-current assets	1,957
Total	107,510

3. Asset retirement obligations

Asset retirement obligations that are recorded in the balance sheet

(1) *Outline of relevant asset retirement obligations*

Obligations to restore halls and other facilities to the original state, which are associated with lease contracts for real estate and fixed-term leasehold right contracts.

(2) *Method for calculating the amount of relevant asset retirement obligations*

The amount of asset retirement obligations is calculated on the assumption of expected useful lives of 7 to 30 years in proportion to the relevant contract term and using the discount rate ranging from 0.845% to 2.31%, which is the yield rate of interest-bearing government bonds for the period corresponding to the contract term.

(3) *Changes in the total amount of the relevant asset retirement obligations for the fiscal year under review*

	(Millions of yen)
Balance at the beginning of the fiscal year	3,280
Increase due to acquisition of property, plant, and equipment	119
Adjustment based on the elapse of time	70
Balance at the end of the fiscal year	3,470

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Class and total outstanding number of capital stock

	Number of shares at the beginning of the fiscal year under review (Thousands of shares)	Increase in the fiscal year under review (Thousands of shares)	Decrease in the fiscal year under review (Thousands of shares)	At the end of the review year (Thousands of shares)
Outstanding number of capital stock				
Common shares	31,542	711,307	—	742,850

(Note) An increase of shares represents an increase of 599,307 thousand shares resulting from the share split on June 21, 2012, plus an increase of 112,000 thousand shares following the issuance of new stock on August 6, 2012.

2. Dividends from surplus

(1) Dividend paid

Resolution	Class of shares	Dividend amount (Millions of yen)	Amount per share (Yen)	Declaration date	Effective date
Board of Directors' Meeting on November 27, 2012	Common shares	4,271	5.75	September 30, 2012	December 17, 2012

(2) Of the dividends for which the declaration date belongs to the fiscal year under review, those for which the effective date of the dividends will be in the following fiscal year

Resolution	Class of shares	Dividend amount (Millions of yen)	Source of dividends	Amount per share (Yen)	Declaration date	Effective date
Board of Directors' Meeting on May 28, 2013	Common shares	5,386	Retained earnings	7.25	May 31, 2013	June 26, 2013

FINANCIAL INSTRUMENTS

1. Group policy and risk management system for financial instruments

The Group invests only in deposits and some short-term investment securities, and procures necessary funds by bank borrowing and installment contracts. The Group uses derivatives only to mitigate interest-rate risk associated with loans payable and does not engage in speculative transactions.

For some long-term loans payable, the Group uses interest rate swaps as a hedging instrument in each contract to fix interest expenses. Loans payable are mainly used for capital expenditure.

Shares in investment securities are exposed to the risk of fluctuation of market prices, while they have close connections with the Group's business.

All accounts payable-other due to trade liability are due within 1 year.

The execution of derivative transactions has been approved at the meetings of the Board of Directors and counterparties are limited to highly-ranked financial institutions to reduce credit risks.

Though trade liability and loans payable are exposed to liquidity risk, the Group manages them in ways such as preparing cash management plans on a monthly basis.

2. Fair value of financial instruments

The table below presents the carrying amounts, the fair value of the financial instruments, and the difference between the carrying amounts and fair value as of March 31, 2013 (the balance sheet date).

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
(1) Cash and deposits	41,464	41,464	—
(2) Short-term investment securities and investment securities			
Available-for-sale securities	621	621	—
(3) Current portion of long-term loans payable	[1,286]	[1,286]	—
(4) Accounts payable-other	8,398	8,398	—
(5) Long-term loans payable	[4,366]	[4,270]	(95)
(6) Derivatives	—	—	—

(*) Liabilities are shown in brackets.

(Note 1) Calculation of fair value of financial instruments and matters related to short-term investment securities and derivative transactions

(1) Cash and deposits

The fair values are measured at the carrying values as they approximate the carrying values because of their short maturities.

(2) Short-term investment securities and investment securities

The fair values of equity securities and bonds are measured at the quoted market price of the stock exchange.

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

The fair values are measured at the carrying values as they approximate the carrying values because of their short maturities.

(5) Long-term loans payable

The fair values of long-term loans payable are measured by discounting the sum of principal and interest at the discount rate that may be applicable for similar types of new debt. With respect to long-term loans payable with floating interest rates, subject to the special hedge accounting treatment for interest rate swaps, are measured by discounting the sum of principal and interest accounted for together with the relevant interest rate swaps at the discount rate that is reasonably estimated and is applicable for similar types of debt.

(6) Derivatives

For interest rate swaps that meet the specific matching criteria under hedge accounting rules, the fair values of derivative financial instruments were included in the fair value of loans payable as hedged items.

(Note 2) Fair values of unlisted equity securities (¥90 million under the consolidated balance sheet) are considered not to be readily measured, because their market prices do not exist and an estimation of future cash flows is not possible. Therefore, they are not included in “(2) Short-term investment securities and investment securities, Available-for-sale securities.”

NOTES TO PER SHARE INFORMATION

	(Yen)
1. Net assets per share	162.49
2. Net income per share	31.33

(Note) The Company conducted a split of its common shares at a ratio of 20 to 1 on June 21, 2012. In connection with this share split, the Company calculated net income per share on the presumption that such share split were implemented at the beginning of the fiscal year under review.

NOTES TO SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 27, 2013

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.*:

Shimbashi & Co.

Representative Partner,	
Engagement Partner,	
Certified Public Accountant:	Shusuke Hirano (Seal)
Representative Partner,	
Engagement Partner,	
Certified Public Accountant:	Akira Ogawa (Seal)

Seiwa Audit Corporation

Designated Partner,	
Engagement Partner,	
Certified Public Accountant:	Michio Minakata (Seal)
Designated Partner,	
Engagement Partner,	
Certified Public Accountant:	Hideyuki Totani (Seal)

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements of 株式会社ダイナムジャパンホールディングス DYNAM JAPAN HOLDINGS Co., Ltd.* (the "Company") and its consolidated subsidiaries for the fiscal year from April 1, 2012 to March 31, 2013.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 these 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 of 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 preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 evaluating 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.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2013, and the results of their operations for the fiscal year ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

BALANCE SHEET
(As of March 31, 2013)

(Millions of yen)

(Assets)	
Current assets	26,728
Cash and deposits	17,383
Prepaid expenses	204
Accrued income	2
Short-term loans receivable	6,390
Accounts receivable-other	2,736
Consumption taxes receivable	6
Other	4
Non-current assets	60,750
Property and equipment	367
Buildings	158
Tools, furniture and fixtures	8
Land	200
Intangible assets	12
Right of trade mark	12
Other	0
Investments and other assets	60,371
Stocks of subsidiaries and affiliates	59,423
Long-term loans receivable	640
Long-term prepaid expenses	301
Others	6
Total assets	<u>87,479</u>

(Millions of yen)

(Liabilities)	
Current liabilities	3,174
Accounts payable-other	46
Accrued income taxes	230
Accrued expenses	53
Deposits received	2,832
Provision for Directors' bonuses	12
Non-current liabilities	32
Provision for retirement benefits	7
Provision for Directors' retirement benefits	24
Total liabilities	<u>3,206</u>
(Net assets)	
Shareholders' equity	84,272
Capital stock	15,000
Capital surplus	55,467
Legal capital surplus	7,133
Other capital surplus	48,333
Retained earnings	13,804
Other retained earnings	13,804
Retained earnings brought forward	13,804
Total net assets	<u>84,272</u>
Total liabilities and net assets	<u><u>87,479</u></u>

STATEMENT OF INCOME
(From April 1, 2012 to March 31, 2013)

(Millions of yen)

Net sales		<u>15,864</u>
Gross profit		15,864
Selling, general and administrative expenses		<u>1,316</u>
Operating income		14,547
Non-operating income		
Interest income	125	
Foreign exchange gains	2,959	
Other	<u>6</u>	3,091
Non-operating expense		
Interest expense	8	
Financing expenses	112	
Stock issuance cost	379	
Other	<u>0</u>	500
Ordinary income		<u>17,139</u>
Income before income taxes		17,139
Income taxes — current	<u>529</u>	529
Net income		<u>16,609</u>

STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' Equity			
	Capital stock	Legal capital surplus	Capital surplus	Total capital surplus
			Other capital surplus	
Balance as of April 1, 2012	5,000	1,250	48,333	49,583
Changes during the fiscal year				
Issuance of new stock	10,000	5,883	—	5,883
Dividends				
Net income				
Total changes during the fiscal year	10,000	5,883	—	5,883
Balance as of March 31, 2013	15,000	7,133	48,333	55,467

	Shareholders' Equity			
	Other retained earnings	Retained earnings brought forward	Retained earnings	Total net assets
			Total retained earnings	
Balance as of April 1, 2012	1,466	1,466	56,050	56,050
Changes during the fiscal year				
Issuance of new stock	—	—	15,883	15,883
Dividends	(4,271)	(4,271)	(4,271)	(4,271)
Net income	16,609	16,609	16,609	16,609
Total changes during the fiscal year	12,338	12,338	28,221	28,221
Balance as of March 31, 2013	13,804	13,804	84,272	84,272

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(1) Valuation method of significant assets

Valuation method of short-term investment 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: Depreciated is computed using the declining-balance method, while the straight-line method is applied to buildings (excluding accompanying facilities).

Intangible assets: Intangible assets are amortized using the straight-line method. Software used for internal purposes is amortized using the straight-line method over its estimated useful life (5 years).

(3) Deferred charges

Stock issuance cost

All amounts are charged to expenses as incurred.

(4) Recognition and measurement of significant provisions and allowances

Provision for Directors' bonuses

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

Employees' retirement benefits

Liabilities for employees' retirement benefits are recorded based on the projected benefit obligations at the balance sheet date.

Provision for Directors' retirement benefits

Provision for Directors' retirement benefits is provided based on the estimated amounts to be paid in accordance with the internal rules.

(5) Other significant accounting policies for financial statements

Cash Management System (CMS)

As a result of utilization of Cash Management System (CMS) in the aim of promoting efficient use of funds of the Group, "short-term loans receivable" of ¥6,390 million, "long-term loans receivable" of ¥640 million, and "deposits received" of ¥2,828 million are included in the balance sheet in connection with loans among 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	¥45 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.	540
DYNAM Land & Building Co., Ltd. (Note)	5,107

(Note) Trade name was changed to Dynam Business Support Co., Ltd. on April 1, 2013.

(3) Assets and liabilities of subsidiaries and affiliates:

(Millions of yen)

Short-term receivables	6,398
Long-term receivables	640
Short-term payables	2,844

3. NOTES TO STATEMENT OF INCOME

Transactions with subsidiaries and affiliates

(Millions of yen)

Business transactions	
Net sales	15,864
Selling, general and administrative expenses	49
Other transactions	222

4. NOTES TO STATEMENT OF CHANGES IN NET ASSETS

(1) Class and total outstanding number of capital stock

(Thousands of shares)

	At the beginning of the fiscal year under review	Increase in the fiscal year under review	Decrease in the fiscal year under review	At the end of the fiscal year under review
Outstanding number of capital stock				
Common shares	31,542	711,307	—	742,850

(Note) An increase of shares represents an increase of 599,307 thousand shares resulting from the share split on June 21, 2012, plus an increase of 112,000 thousand shares following the issuance of new stock on August 6, 2012.

(2) Dividends from surplus

1) Dividend paid

Resolution of Board of Directors' Meeting on November 27, 2012

Dividend amount	¥4,271 million
Amount per share	¥5.75
Declaration date	September 30, 2012
Effective date	December 17, 2012

2) *Of the dividends for which the declaration date belongs to the fiscal year under review, those for which the effective date of the dividends will be in the following fiscal year*

Resolution of Board of Directors' Meeting on May 28, 2013 is planned as follows.

Dividend amount	¥5,385 million
Source of dividends	Retained earnings
Amount per share	¥7.25
Declaration date	March 31, 2013
Effective date	June 26, 2013

5. NOTES TO INCOME TAXES

(1) Deferred tax assets (current)

(Millions of yen)

Deferred tax assets	
Accrued enterprise tax	48
Accrued bonuses	14
Other	0
	63
Valuation reserve	(63)
Total	—

(2) Deferred tax assets (non-current)

(Millions of yen)

Deferred tax assets	
Investment in subsidiaries and affiliates	1,100
Other	11
Subtotal	1,112
Valuation reserve	(1,112)
Total	—

6. NOTES TO RELATED PARTY TRANSACTIONS

Transactions with subsidiaries

(Millions of yen)

Type	Company name	Ownership	Relationship		Transaction description	Amounts	Account name	Balance
			Interlocking directors	Business relationship				
Subsidiaries	DYNAM Co., Ltd.	Direct ownership 100%	Present	Main counterpart of the Company	Funds in trust (Note 2)	1,268	Deposits received	1,268
					Interest expense (Note 2)	49	—	—
					Management consulting fee (Note 3)	540	—	—
					Dividend income (Note 4)	15,301	—	—
					Guarantee of liabilities (Note 5)	540	—	—
	DYNAM Land & Building Co., Ltd. (Note 6)	Direct ownership 100%	—	Main counterpart of the Company	Lending of funds (Note 1)	6,200	Short-term loans receivable	6,200
					Interest income (Note 1)	139	—	—
					Guarantee of liabilities (Note 5)	5,107	—	—
	Cabin Plaza Co., Ltd. (Note 7)	Direct ownership 100%	—	Main counterpart of the Company	Funds in trust (Note 2)	730	Deposits received	730
					Interest expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	6	—	—
	Okuwa Japan Co., Ltd. (Note 7)	Direct ownership 100%	—	Main counterpart of the Company	Lending of funds (Note 1)	500	Long-term loans receivable	500
					Interest income (Note 1)	16	Accrued income	0
	DAIKOKUTEN Co., Ltd. (Note 7)	Direct ownership 100%	—	Main counterpart of the Company	Lending of funds (Note 1)	260	Short-term loans receivable	120
							Long-term loans receivable	140
					Interest income (Note 1)	9	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. An interest rate on funds in trust and borrowing 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. and DYNAM Land & Building Co., Ltd. without receiving any guarantee fee.
6. Trade name was changed to Dynam Business Support Co., Ltd. on April 1, 2013.
7. Cabin Plaza Co., Ltd. absorbed and merged with Okuwa Japan Co., Ltd. and DAIKOKUTEN Co., Ltd. on April 1, 2013.

7. NOTES TO PER SHARE INFORMATION

(Yen)

Net assets per share	113.44
Net income per share	23.60

(Note) The Company conducted a split of its common shares at a ratio of 20 to 1 on June 21, 2012. In connection to this share split, the Company calculated net assets per share as well as net income per share assuming as if such share split were implemented at the beginning of the fiscal year under review.

8. NOTES TO SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

CERTIFIED COPY OF THE ACCOUNTING AUDITORS' REPORT

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 27, 2013

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.*:

Shimbashi & Co.

Representative Partner,	
Engagement Partner,	
Certified Public Accountant:	Shusuke Hirano (Seal)
Representative Partner,	
Engagement Partner,	
Certified Public Accountant:	Akira Ogawa (Seal)

Seiwa Audit Corporation

Designated Partner,	
Engagement Partner,	
Certified Public Accountant:	Michio Minakata (Seal)
Designated Partner,	
Engagement Partner,	
Certified Public Accountant:	Hideyuki Totani (Seal)

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, namely, the balance sheet, statement of income, statement of changes in net assets and notes to financial statements 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") for the 2nd fiscal year from April 1, 2012 to March 31, 2013, and the accompanying supplementary schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplementary schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of 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 these financial statements and the accompanying 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 accompanying 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 accompanying 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 accompanying supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 evaluating the overall presentation of the financial statements and the accompanying supplementary schedules.

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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 2nd fiscal year (April 1, 2012 to March 31, 2013). 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 periodic 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 Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of their performance of duties, and requested explanations as necessary. The Audit Committee was notified by the Accounting Auditor that it had established a "system to ensure that the performance of the duties of the Accounting Auditor was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 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 balance sheet, consolidated statement of income, consolidated statement of changes in net assets, 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.

May 28, 2013

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)

- 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 GENERAL MEETING OF SHAREHOLDERS

**First Resolution: Proposed Partial Amendments to the Articles of Incorporation
(Special Resolution)**

The Board of Directors (the “Board”) proposes to make partial amendments on the Articles of Incorporation (the “AOI”) as follows.

1. Reasons for amendments

- (1) Upon the incorporation of Dynam Hong Kong Co., Limited (a Hong Kong legal entity) as our subsidiary for the purpose of diversifying overseas business development, we need to make partial amendments on Article 2 (Purpose) of the existing AOI.
- (2) Pursuant to Article 459, Paragraph 2 of the Companies Act and Article 54 (Unit Determining Dividends from Surplus, etc.) of the AOI, the amounts of surplus retained and dividends paid out of surplus by the Company and other matters prescribed in Article 459, Paragraph 1 of the Companies Act shall be determined by resolution of the board of directors unless otherwise stipulated by applicable laws and regulations.

The Company will make amendments on provisions of Article 55 (Record Date for Dividends Payable out of Surplus) and Article 56 (Interim Dividends) of the existing AOI for the purpose of specifying the record date from time to time, making at any time dividend distributions to shareholders as of the record date and clarifying the handling of the record date to the extent dividends paid out of surplus comply with the requirement of Distributable Amount on the effective date.

2. Details of amendments (partial extractions)

Details of amendments are shown as below.

(The underlined sections show parts to be amended.)

Existing AOI	Proposed Amendment
The AOI Chapter 1 General Provisions	The AOI Chapter 1 General Provisions
Article 1 (Trade Name) Description omitted	Article 1 (Trade Name) No change
Article 2 (Purpose) The purpose of the Company shall be to own controlling interests in companies engaged in the following lines of business, and thereby control and manage the businesses activities of such companies: (1) Operation of recreation halls and similar recreational facilities;	Article 2 (Purpose) The purpose of the Company shall be to own controlling interests in companies engaged in the following lines of business, and thereby control and manage the businesses activities of such companies: (1) Operation of recreation halls and similar recreational facilities;

Existing AOI	Proposed Amendment
(2) Planning, development, sale and purchase, maintenance, and evaluation of performance of game machines, peripheral equipment and related equipment, and brokerage, agency, research and consulting services related thereto; (3) Development, operation and maintenance of management systems for game machines, and provision of system services as well as brokerage, agency, research and consulting services related to such systems; (4) Preparing and filing applications for the moving of game machines, and brokerage, agency, research and consulting services related thereto;	(2) Planning, development, sale and purchase, maintenance, and evaluation of performance of game machines, peripheral equipment and related equipment, and brokerage, agency, research and consulting services related thereto; (3) Development, operation and maintenance of management systems for game machines, and provision of system services as well as brokerage, agency, research and consulting services related to such systems; (4) Preparing and filing applications for the moving of game machines, and brokerage, agency, research and consulting services related thereto;
(Addition)	<u>(5) Planning, development, manufacturing, sale, installation, maintenance, lease and import and export of amusement machines, software, contents, amusement facility system and peripheral equipment;</u>
<u>(5)</u> Operation of restaurants;	<u>(6) Planning and management of restaurants and providing consulting services thereto;</u>
(Addition)	<u>(7) Manufacturing, processing, sale and import and export of coffee, timbers, food and any other goods;</u>
(Addition)	<u>(8) Cargo transportation and packaging services and warehousing and agent services;</u>
(Addition)	<u>(9) Brokerage and referrals of international cargo transportation;</u>
(Addition)	<u>(10) Trading;</u>
(Addition)	<u>(11) Customs clearance and bureau thereof;</u>
<u>(6)</u> Businesses relating to temporary staffing, personnel placement and fee-based employment referrals;	<u>(12)</u> Businesses relating to temporary staffing, personnel placement and fee-based employment referrals;
<u>(7)</u> Language and conversation skill instruction, development and training of language teachers and development and sale of language teaching materials;	<u>(13)</u> Language and conversation skill instruction, development and training of language teachers and development and sale of language teaching materials;
<u>(8)</u> Overseas school placement, and study abroad services, and agency services related thereto;	<u>(14)</u> Overseas school placement, and study abroad services, and agency services related thereto;
<u>(9)</u> Sale and purchase, brokerage, renting, management and evaluation of real estate and consulting services related thereto;	<u>(15)</u> Sale and purchase, brokerage, renting, management and evaluation of real estate and consulting services related thereto;
(Addition)	<u>(16) Planning and designing and execution and supervision of construction works of buildings, interior and exterior design;</u>
(Addition)	<u>(17) Repair, cleaning, maintenance and management of buildings;</u>
(Addition)	<u>(18) Manufacturing, processing, purchasing, sale and import and export of construction materials;</u>
(Addition)	<u>(19) Translation and interpretation services;</u>
<u>(10)</u> Moving service referrals;	<u>(20)</u> Moving service referrals;
<u>(11)</u> Nonlife insurance agency;	<u>(21)</u> Nonlife insurance agency;
<u>(12)</u> Life insurance agency;	<u>(22)</u> Life insurance agency;
<u>(13)</u> Insurance agency under the Automobile Liability Security Act;	<u>(23)</u> Insurance agency under the Automobile Liability Security Act;

Existing AOI

- (14) Data processing services, information services, and unified information management as well as brokerage, agency, research and consulting services related thereto;
- (15) Advertisement agency;
- (16) Accounting, taxation, payroll calculation, labor management and similar processing services; and
- (17) Development, installation, operation and maintenance of computer Systems.

(Addition)

- 2. The Company may conduct business incidental to each item set forth in the preceding paragraph.

Proposed Amendment

- (24) Data processing services, information services, and unified Information management as well as brokerage, agency, research and consulting services related thereto;
 - (25) Advertisement agency;
 - (26) Accounting, taxation, payroll calculation, labor management and similar processing services;
 - (27) Development, installation, operation and maintenance of computer systems; and
 - (28) Offering loans to, making investments in and providing management advisory services to overseas and domestic entities.
- 2. The Company may conduct business incidental to each item set forth in the preceding paragraph.

<Omission>

Chapter 8 Accounting

Article 53. (Business Year)

Description omitted

Article 54. (Body Determining Dividends Payable out of Surplus, etc.)

Description omitted

Article 55 (Record Date for Dividends Payable out of Surplus)

- 1. The record date for dividends paid by the Company at year end shall be March 31 of each year.
- 2. The Company may pay dividends out of surplus on such other date as may be designated as a record date for dividends.

Article 56 (Interim Dividend)

The Company may, by resolution of the board of directors, distribute interim dividends with a record date of 30 September in any year.

Article 57. (Statute of Limitations for Dividends Paid out of Surplus)

Description omitted

Chapter 8 Accounting

Article 53. (Business Year)

No change

Article 54. (Body Determining Dividends Payable out of Surplus, etc.)

No change

Article 55 (Record Date for Dividends Payable out of Surplus)

- 1. The Company may, by specifying the record date, designate shareholders whose names appear on the share registrar as at such record date as those who are entitled to receive dividends paid out of surplus (the "Record Date Shareholders").
- 2. Where the Company specifies the record date in the case of the preceding Paragraph, the Company shall announce such record date and the entitlements of the Record Date Shareholders to receive dividends paid out of surplus at least 2 weeks prior to such record date.
- 3. Where the Company specifies the record date in the case of the Paragraph 1, the Company shall disclose such record date and the date of a meeting of the board of directors on the website of the Stock Exchange no later than 10 business days prior to such record date and no later than 7 business days prior to the date of such meeting of the board of directors to which dividends paid out of surplus are recommended.
- 4. In the case of the preceding Paragraph, a business day means a working day in Hong Kong.

(Deleted)

Article 56. (Statute of Limitations for Dividends Paid out of Surplus)

No change

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 of the Company 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.”

Third Resolution: Proposed Re-election of Seven (7) Directors (Ordinary Resolution)

The term of office of all seven (7) current Directors will expire as of the end of this Annual General Meeting of Shareholders. Accordingly, the Company proposes that seven (7) Directors be elected based on the decisions by the Nominating Committee.

The candidates for Directors are as follows:

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held		Number of Company's Shares Owned
1	Yoji Sato (September 24, 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.	
		December 2003	President and Representative Director of Rich-O Co., Ltd.	
		March 2007	Representative Director and CEO of DYNAM Holdings Co., Ltd.	
		December 2008	President and Representative Director of Shinrainomori Co., Ltd.	
		December 2008	Chairman of Shinrainomori Association	
		December 2009	Representative Chairman of One Asia Foundation (present)	
		April 2011	Representative Chairman of Shinrainomori Association (present)	
		September 2011	Executive Director and CEO of the Company (present)	
		January 2013	CEO of Dynam Hong Kong Co., Limited (present)	
2	Katsuhide Horiba (May 16, 1944)	March 1994	Director and Divisional Manager of Accounting Department of The Daiei, Inc.	0
		May 1995	Senior Managing Director of OMC Card, Inc. (currently Cedyna Financial Corporation)	
		June 1995	Chairman of Daiei Group's Management Policy Meeting (concurrently)	
		February 1999	Director and Vice President of Daiei Shoji Co., Ltd. (currently Cedyna Financial Corporation)	
		June 2001	Senior Director and Group CFO of AIFUL CORPORATION Director of LIFE Co., Ltd.	
		October 2006	Director of DYNAM Holdings Co., Ltd.	
		September 2011	Independent Non-executive Director of the Company (present)	
3	Ichiro Takano (May 8, 1956)	April 1987	Registered as Attorney-at-Law	20,000
		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)	

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held		Number of Company's Shares Owned
4	Noriaki Ushijima (May 12, 1950)	April 1973 June 2004 July 2006 March 2008 September 2011	Joined Tokyo Stock Exchange, Inc. Director and Executive Officer of Jasdaq, Inc. Advisor of Jasdaq System Solution, Inc. Director of DYNAM Holdings Co., Ltd. Independent Non-executive Director of the Company (present)	838,000
5	Yukio Yoshida (May 13, 1946)	July 2004 August 2005 August 2005 April 2006 June 2008 September 2011	Head of Yokohama-naka Tax Office Registered as Certified Public Tax Accountant Established Yoshida Tax Account Office (present) Guest Professor at Toyo University Graduate School Director of DYNAM Holdings Co., Ltd. Independent Non-executive Director of the Company (present)	140,000
6	Mitsutoshi Kato (March 20, 1958)	April 1982 April 1988 March 1990 April 1991 January 2005 December 2006 February 2012 February 2012	Joined The Bank of Tokyo, Ltd. (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Seconded to Kincheng-Tokyo Finance Company Limited Entered Banque Indosuez (currently Credit Agricole Corporate and Investment Bank) Vice President of Banque Indosuez, Tokyo Branch Statutory Auditor of ECO-MATERIAL CORPORATION Director and CFO of ECO-MATERIAL CORPORATION Chairman and CFO of ECO-MATERIAL CORPORATION (present) Independent Non-executive Director of the Company (present)	0
7	Thomas Chun Kee Yip (March 22, 1961)	May 1984 January 1986 December 1988 July 1994 January 2002 October 2003 March 2008 February 2012	Joined Touche Ross & Co. Hong Kong Joined Price Waterhouse, Sydney Office Price Waterhouse, Hong Kong Office Senior Audit Manager of Price Waterhouse Joined CCIF CPA Ltd Practising Director of CCIF CPA Ltd Joined AIP Partners C.P.A. Limited, Practising Director (present) Independent Non-executive Director of the Company (present)	0

(Notes)

- Each candidate has no special interest in the Company.
- Director candidates Messrs. Katsuhide Horiba, Ichiro Takano, Noriaki Ushijima, Yukio Yoshida, Mitsutoshi Kato, and Thomas Chun Kee Yip are the candidates for Outside Directors under Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

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. Katsuhide Horiba 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 a corporate executive, developed through his career. He is currently serving as Outside Director of the Company and will have served in that capacity for one (1) year and nine (9) months as of the conclusion of this Annual General Meeting of Shareholders.
- 2) 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 one (1) year and nine (9) months as of the conclusion of this Annual General Meeting of Shareholders.
- 3) 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 one (1) year and nine (9) months as of the conclusion of this Annual General Meeting of Shareholders.
- 4) Mr. Yukio Yoshida is a certified public tax accountant 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 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 one (1) year and nine (9) months as of the conclusion of this Annual General Meeting of Shareholders.
- 5) 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 one (1) year and three (3) months as of the conclusion of this Annual General Meeting of Shareholders.
- 6) 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 one (1) year and three (3) months as of the conclusion of this Annual General Meeting of Shareholders.

4. Contracts for limitation of liability with Outside Directors

Not applicable.

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

Rule 13.88 of the Listing Rules provides that the Company must, at each Annual General Meeting of Shareholders, appoint an accounting firm which is registered on The Hong Kong Institute of Certified Public Accountant as an Auditor, to hold the office from the conclusion of that Meeting until the next Annual General Meeting of Shareholders. Accordingly, the Company proposes to elect RSM Nelson Wheeler as the Company's auditor for the purpose of the Listing Rules at this Meeting, and appointment or re-appointment of auditor is mandatory at every year's annual general meeting of shareholders.

At the same time, the Company requests shareholders to approve, retrospectively, and ratify that RSM Nelson Wheeler has assumed the office as the Company's auditor from August 6, 2012 to June 25, 2013.

Details of RSM Nelson Wheeler are set out as follows:

(As of May 14, 2013)

Name	RSM Nelson Wheeler
Foundation	In 1975
Capital	16.5 million Hong Kong dollars
Office	29th Floor Caroline Centre Lee Gardens Two 28 Yun Ping Road Hong Kong
Companies Involved	4,500 companies
Number of Personnels	365

The guide map of Annual General Meeting of Shareholders

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

Tel. 03-5850-3660

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

