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株式会社ダイナムジャパンホールディングス

DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

(Stock Code: 06889)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “Annual General Meeting”) of 株式会社ダイナムジャパンホールディングス DYNAM JAPAN HOLDINGS Co., Ltd.* (the “Company”) will be held at 2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan on Thursday, 26 June 2014 at 10:00 a.m., (Japan time) for the following purposes:

MATTERS TO BE REPORTED

1. Report on the Business Report and the Consolidated Financial Statements, and report on results of the audit by the Accounting Auditors and the review by the Audit Committee on the Consolidated Financial Statements for the 3rd fiscal year (from 1 April 2013 to 31 March 2014)
2. Report on the Non-consolidated Financial Statements for the 3rd fiscal year (from 1 April 2013 to 31 March 2014)

MATTERS TO BE RESOLVED

First Resolution	General Mandate to Allot, Issue and Deal in Shares
Second Resolution	Proposed Election of Eight (8) Directors
Third Resolution	Proposed Election of an Accounting Auditor
Fourth Resolution	Proposed Election of an Auditor pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited

On behalf of the Board

株式会社ダイナムジャパンホールディングス

DYNAM JAPAN HOLDINGS Co., Ltd.*

Yoji SATO

Chairman of the Board

Tokyo, Japan, 3 June 2014

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

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

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

** For identification purposes only*

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

3 June 2014

Yoji Sato, Chairman of the Board
株式会社ダイナムジャパンホールディングス
DYNAM JAPAN HOLDINGS Co., Ltd.*
2-25-1-702 Nishi-Nippori, Arakawa-ku, Tokyo, Japan

**CONVOCATION NOTICE
FOR THE 3RD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

NOTICE IS HEREBY GIVEN THAT the 3rd 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:** Thursday, 26 June 2014 at 10:00 a.m., Japan time (Reception starts at 9:30 a.m.)
- 2. Location:** Head Office Building, DYNAM Co., Ltd.
2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**

Matters to be Reported

- (1) Report on the Business Report and the Consolidated Financial Statements, and report on results of the audit by the Accounting Auditors and the review by the Audit Committee on the Consolidated Financial Statements for the 3rd fiscal year (from 1 April 2013 to 31 March 2014)
- (2) Report on the Non-consolidated Financial Statements for the 3rd fiscal year (from 1 April 2013 to 31 March 2014)

Matters to be Resolved

First Resolution	General Mandate to Allot, Issue and Deal in Shares
Second Resolution	Proposed Election of Eight (8) Directors
Third Resolution	Proposed Election of an Accounting Auditor
Fourth Resolution	Proposed Election of an Auditor pursuant to the Listing Rules

* For identification purpose only

4. Decisions on Convocation for the Meeting

(1) Shareholders attending the Meeting in person

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

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

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

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

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

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

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

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

5. Other Precautions

- (1) All resolutions set out in this convocation notice (the “Notice”) will be decided by poll at the Meeting in accordance with Rule13.39(4) of the Listing Rules.
 - (2) Shareholders having voting rights recorded in the most recent share registry as of 28 May 2014 shall be deemed to be Shareholders permitted to attend and vote at the Meeting.
 - (3) Shareholders who intend to cast their votes in different ways (i.e. partly for and partly against a resolution) are requested to notify the Company in writing of their intention to do so and the reason therefor no later than 3 days before the Meeting.
 - (4) Beneficial owners of the shares of the Company (the “Shares”) who hold pecuniary interests and voting rights in the Company with respect to the Shares deposited into the Central Clearing and Settlement System (“CCASS”) and registered in the name of HKSCC Nominees Limited (“HKSCC Nominees”) (the “CCASS Beneficial Owners”) are not recognised as Shareholders under Japanese law. HKSCC Nominees will exercise the entitled voting rights of the CCASS Beneficial Owners in accordance with the pre-determined arrangements between HKSCC Nominees and the CCASS Beneficial Owners and the general operational rules of CCASS.
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BUSINESS REPORT
(1 April 2013 to 31 March 2014)

1. GROUP

(1) Business in the Consolidated Fiscal Year Ended 31 March 2014

Progress of Business and Results

Application of International Financial Reporting Standards (“IFRS”)

The Group has been preparing the Consolidated Financial Statements in accordance with IFRS for annual report since its listing on the Stock Exchange. Upon an easing of requirements for optional application of IFRS in Japan, the Group has prepared financial reporting for Japanese Shareholders and investors in compliance with IFRS as well since the consolidated fiscal year ended 31 March 2014.

The business conditions for the Japanese economy during the fiscal year under review has been recovering gradually and projecting improvements in corporate profits and consumer spending as a result of economic measures and monetary policies by the government. Regardless of downturn risk of overseas economy and influence of consumption tax increase, disposable income increase and sustainable economic recovery are expected by means of employment conditions’ improvement and recovery in exports. Real economy is embarking on the phase of full-scale recovery from deflation.

Meanwhile, in the pachinko hall industry, according to the “Leisure White Paper 2013”^{*} 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 1.5 million year-on-year to 11.1 million in 2012, which accounted for 3 consecutive years’ decrease. While the market size had shown a drop for 9 years in a row since 2003, revenue recovered gradually, showing an increase of ¥170 billion year on year and amounting to ¥19,066 billion in total in 2012.

Within this business environment, the Company and its subsidiaries (the “Group”) merged its consolidated subsidiaries such as DYNAM Land & Building Co., Ltd., DYNAM Data Processing Co., Ltd., Dynam P Trading Co., Ltd. and Dynam Advertisement Co., Ltd., and established DYNAM Business Support Co., Ltd. in this consolidated fiscal year as a part of its reorganization. Moreover, the Group retained Cabin Plaza Co., Ltd. (“Cabin Plaza”) which is pachinko hall operating consolidated subsidiary, and integrated Daikokuten Co., Ltd. and Okuwa Japan Co., Ltd. under Cabin Plaza.

Furthermore, the Group acquired stocks of HUMAP Japan Co., Ltd. and Business Partners Co., Ltd. from DYNAM Holdings Co., Ltd. and held these two companies as consolidated subsidiaries.

As for an overseas business, Dynam Hong Kong Co., Limited merged Erin International Co., Ltd., Beijing GEO Coffee Co., Ltd. and Rich-O Korea Co., Ltd. In view of rising opportunity of opening casino in Japan, the Group started collecting information to operate casino in Japan and invested US\$35 million in the initial public offering of a hotel and casino operator, Macau Legend Development Limited (“Macau Legend”). To strengthen our further cooperation, the Group invested additional US\$50 million in Macau Legend in January 2014.

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.

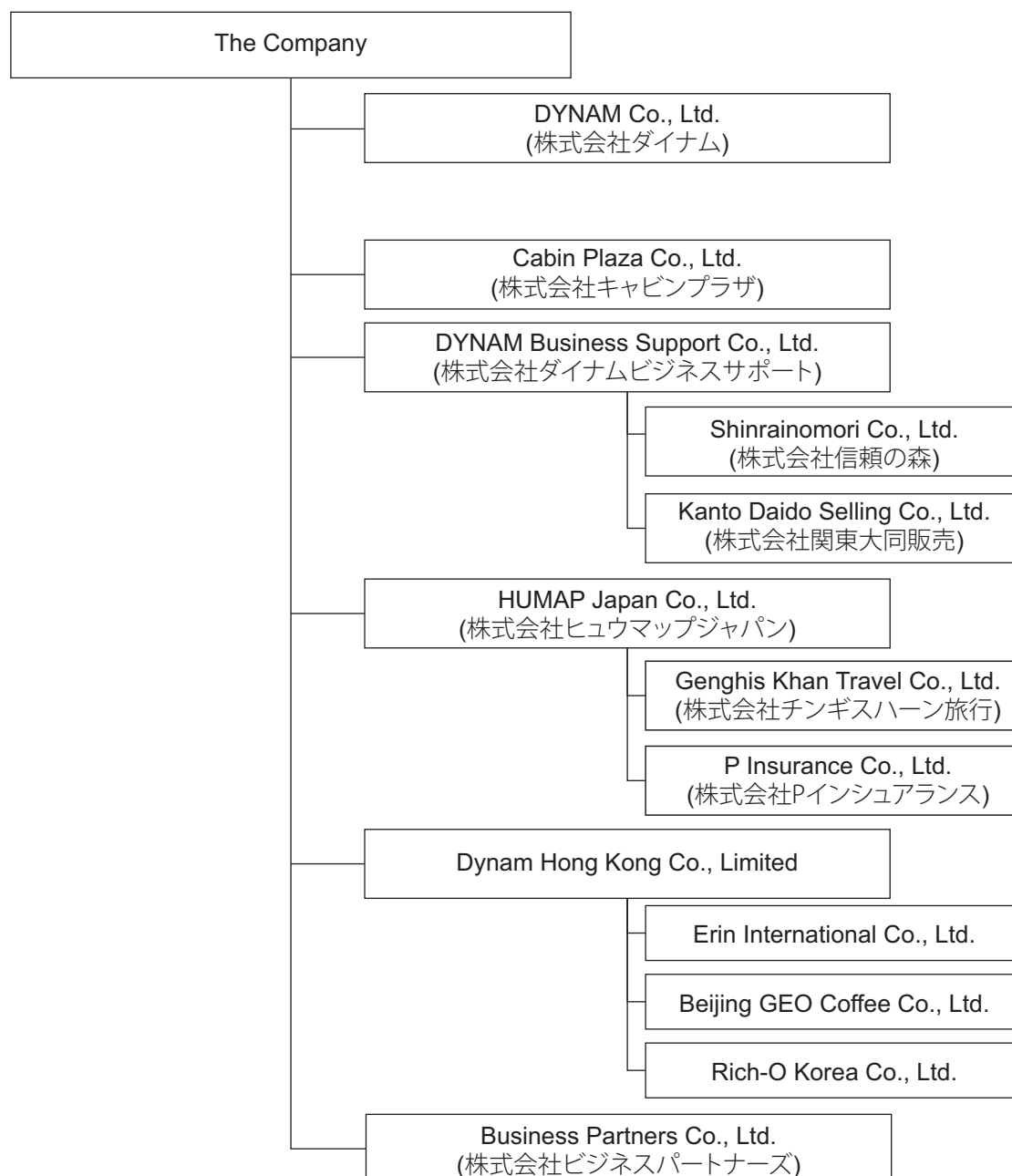
In order to achieve the vision of “remaking pachinko as a truly popular entertainment that can be readily and comfortably enjoyed by all”, the Group has been proactively expanding its specialized halls with low playing cost machines that allow users to enjoy pachinko at low costs. During the fiscal year under review, the Group opened 13 new halls with low playing cost machines and converted 1 existing hall which focused on four-yen pachinko to specialized halls with low playing cost machines. Consequently, there are now 202 specialized halls with low playing cost machines, making up over half of the Group’s 375 halls.

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

The Group recorded operating revenue of ¥165.754 billion (up 1.1% year-on-year), operating income of ¥35.459 billion (up 3.4% year-on-year), and profit for the year attributable to owners of the Company of ¥21.328 billion (up 1.9% year-on-year).

* “The Leisure White Paper 2013” 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 3,334 people in the age group of 15–79 years throughout Japan, it is widely used as a source for representative statistics related to leisure.

Group Companies



(Notes)

1. An absorption-type merger was implemented effective 1 April 2013 in which DYNAM Land & Building Co., Ltd., a subsidiary of the Company was the surviving party, while 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 1 April 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) 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:

In accordance with stock acquisition by Dynam Hong Kong Co., Limited (consolidated subsidiary), Rich-O Korea Co., Ltd. became consolidated subsidiary on 5 April 2013 and Erin International Co., Ltd. and Beijing GEO Coffee Co., Ltd. became consolidated subsidiaries on 1 May 2013.

In accordance with stock acquisition by the Group, Business Partners Co., Ltd. and HUMAP Japan Co., Ltd. became consolidated subsidiaries on 1 October 2013. Consequently, Genghis Khan Travel Co., Ltd. and P Insurance Co., Ltd. which are subsidiaries of HUMAP Japan Co., Ltd. became consolidated subsidiaries of the Group on the same date.

(3) Capital Expenditure

Total capital expenditures for the fiscal year under review was ¥9.476 billion, mainly consisting of buildings and structures as well as tools, furniture and fixtures accompanying the opening and business conversion of new pachinko halls.

(4) Financing

There is no fund raised during the fiscal year under review. In addition, 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. Please note that the Group had interest-bearing debt of ¥4.324 billion as of the end of fiscal year under review, a year-on-year decrease of ¥1.329 billion.

(5) Management Issues

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

Working towards our targets of establishing 1,000 halls by the fiscal year ending 31 March 2023 and attaining a 10% share of the total number of halls in the pachinko hall industry, the Group is establishing a system that allows it to open over 40 halls per year. In order to make this system firm, the Group continues to be committed to reinforce the capability of hall development and information collection for available sites of new halls.

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 on the job training, reviewing the headquarters and supervisory organizations that serve to support halls, and streamlining through the deployment of the proper number of personnel.

3) 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)

	Japanese Generally Accepted Accounting Principles ("JGAAP")		
	1st	2nd	3rd
	Consolidated	Consolidated	Consolidated
	Fiscal Year	Fiscal Year	Fiscal Year
	Fiscal year ended 31 March 2012 (Previous Fiscal Year)	Fiscal year ended 31 March 2013 (Previous Fiscal Year)	Fiscal year ended 31 March 2014 (Fiscal Year Under Review)
Operating revenue			
(Millions of yen)	84,309	162,730	165,243
Ordinary income			
(Millions of yen)	15,436	34,603	35,557
Net income			
(Millions of yen)	8,164	22,049	21,361
Net income per share (Yen)	258.85	31.33	28.76
Total assets			
(Millions of yen)	149,458	161,257	177,848
Net assets (Millions of yen)	88,621	120,707	137,588
Net assets per share (Yen)	2,809.59	162.49	185.22

	IFRS	
	2nd	3rd
	Consolidated	Consolidated
	Fiscal Year	Fiscal Year
	Fiscal year ended 31 March 2013 (Previous Fiscal Year)	Fiscal year ended 31 March 2014 (Fiscal Year Under Review)
Operating revenue (Millions of yen)	163,961	165,754
Operating income (Millions of yen)	34,289	35,459
Profit for the year attributable to owners of the Company (Millions of yen)	20,925	21,328
Earnings per share attributable to owners of the Company (Yen)	29.73	28.71
Total assets (Millions of yen)	167,877	185,732
Total equity (Millions of yen)	125,827	142,817
Total equity per share attributable to owners of the Company (Yen)	169.38	192.23

(Notes)

1. Amounts stated in accordance with JGAAP are rounded down while those stated in accordance with IFRS are rounded off.

2. On 21 June 2012, the Company conducted a split of its common Shares at a ratio of 20 to 1, and calculated earnings per Share (JGAAP) and basic earnings per Share (IFRS) under the assumption that such Share split was implemented at the beginning of the fiscal year ended 31 March 2013.
3. As the Company is a new company established through the incorporation-type company split, its consolidated accounting period ended 31 March 2012 started on 20 September 2011.
4. Pursuant to the provisions of Article 120, paragraph (1) of the Ordinance on Company Accounting, Consolidated Financial Statements have been prepared in accordance with IFRS since fiscal year ended 31 March 2014.
5. Financial statements on the fiscal year ended 31 March 2013 are based on IFRS for the purpose of showing comparative information for the statements on the fiscal year ended 31 March 2014. Figures for the year ended 31 March 2013 in accordance with IFRS were not audited by Shimbashi & Co. and Seiwa Audit Corporation, the current Accounting Auditors of the Company.
6. Financial statements on the fiscal year ended 31 March 2014 based on JGAAP are not audited by the Accounting Auditors.

(7) Important Parent Company and Subsidiaries

1) Status of parent company:

Not applicable.

2) Important subsidiaries (As of 31 March 2014):

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

(8) Principal Business Description

The Group comprises the Company and its 14 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 31 March 2014)*

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

(9) Principal Business Premises

1) The Company *(As of 31 March 2014)*

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

2) Principal Subsidiaries *(As of 31 March 2014)*

DYNAM Co., Ltd.	Head Office	2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Pachinko Halls	366 halls in 46 prefectures in Japan
	Distribution Center	14 locations in 14 prefectures in Japan
Cabin Plaza Co., Ltd.	Head Office	5-21-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Pachinko Halls	9 halls in 5 prefectures in Japan
DYNAM Business Support Co., Ltd.	Head Office	5-21-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
HUMAP Japan Co., Ltd.	Head Office	5-15-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Restaurants	349 restaurants in 46 prefectures in Japan
Dynam Hong Kong Co., Limited	Head Office	Unit A1, 32nd Floor, United Centre, 95 Queensway, Admiralty, Hong Kong

(10) Status of Employees

1) Number of Employees in the Group

(As of 31 March 2014)

Number of Employees	Changes from the End of the Previous Fiscal Year
4,775	+370

(Notes)

1. Aside from the above number referring to the number of employees at work in the Group, there are 11,125 (average number of temporary workers per annum) temporary employees.
2. The above number shows year-on-year increase of 370 employees due to an acquisition of 4 domestic companies and 3 companies abroad during the fiscal year under review.

2) Number of employees in the Company

(As of 31 March 2014)

Number of Employees	Changes from the End of the Previous Fiscal Year
33	+4

(Notes)

1. The above number 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 31 March 2014)

Lender	Loan Balance (Millions of yen)
Mizuho Bank, Ltd.	2,179
Sumitomo Mitsui Banking Corporation	1,453
Resona Bank, Limited	420
Sumitomo Mitsui Trust Bank, Limited	270

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

(12) Other Significant Matters Related to the Corporate Group

Not applicable.

2. MATTERS RELATED TO THE SHARES IN THE COMPANY

(As of 31 March 2014)

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

Major Shareholders	Investment in the Company	
	Number of Shares Held (Thousands of Shares)	Percentage of Voting Rights (%)
HKSCC Nominees Limited	178,663	24.05
Yoji Sato	162,522	21.88
Rich-O Co., Ltd.	95,810	12.90
One Asia Foundation	80,000	10.77
Kohei Sato	55,139	7.42
Yaeko Nishiwaki	46,896	6.31
Masahiro Sato	39,759	5.35
Shigehiro Sato	39,639	5.34
DYNAM JAPAN HOLDINGS Employee Stock Ownership Association	18,491	2.49
Kiyotaka Sato	10,900	1.47

(Notes)

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

3. STOCK ACQUISITION RIGHTS

Not applicable.

4. COMPANY OFFICERS

(1) Directors and Executive Officers

(As of 31 March 2014)

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

(Notes)

1. Mr. Yoji Sato, Executive Director and Chief Executive Officer of the Company, retired as Chief Executive Officer on 25 June 2013.
2. Mr. Kohei Sato became the sole Chief Executive Officer of the Company on 25 June 2013.
3. 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.
4. 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.
5. 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.
6. Member of Audit Committee Mr. Thomas Chun Kee Yip, a Hong Kong Certified Public Accountant, is currently serving as tax advisor in Hong Kong. He has adequate knowledge and insight in finance and accounting.

(2) Directors and Executive Officers Retired during the Fiscal Year Ended 31 March 2014

Executive Officer Mr. Yukiharu Uno resigned from his post on 31 December 2013.

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

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

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

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

2) Remuneration for Directors

- (i) Remuneration for Directors shall be comprised of fixed remuneration and performance-related bonus to Company Officers.

- (ii) Fixed remuneration shall be paid monthly from the amount of the annual salary divided by 13 months, based on the Company Officer's remuneration ranking (annual salary system) which has been reset based on the rank and role within the Group the individual Company Officer serves, classification of whether full-time or part-time, the committee individual Company Officer belongs to, and individual position, and the previous remuneration levels.
- (iii) Bonus to Company Officers shall be determined by the level of performance of the Company the individual Company Officer serves, as well as the level of individual contribution he/she makes in each six-month period. Bonus to Company Officers consists of a fixed portion and a fluctuating portion. The fixed portion is equivalent to one month-worth of the fixed remuneration, which is divided into two and paid out twice a year, each worth 0.5 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) Remuneration Committee reviewed the remuneration structure for Directors and determined to abolish the retirement bonuses for Directors on 25 April 2013. Consequent closing date for calculation of retirement bonuses was 31 May 2013. Any Director whose incumbency generates benefits shall be entitled to receive relevant retirement bonuses at the time of his/her retirement.
- (v) Director's remuneration shall not be payable to a Director concurrently serving as an Executive Officer.

3) *Remuneration for Executive Officers*

- (i) Remuneration for Executive Officers consists of fixed remuneration and performance-related bonus to Company Officers.
- (ii) Fixed remuneration shall be paid monthly from the amount of the annual salary divided by 13 months, based on the Company Officer's remuneration ranking (annual salary system) which has been reset based on the rank and role of the officer and the previous remuneration levels.
- (iii) Bonus to Company Officers shall be determined by the level of performance of the Company the individual Company Officer serves, as well as the level of individual contribution in the business he/she is responsible for in each six-month period. Bonus to Company Officers consists of a fixed portion and a fluctuating portion. The fixed portion is equivalent to one month's worth of the fixed remuneration, which is divided into 2 halves and paid out separately during the year, each worth 0.5 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) Remuneration Committee reviewed the remuneration structure for Executive Officers and determined to abolish the retirement bonuses for Executive Officers on 25 April 2013. Consequent closing date for calculation of retirement bonuses was 31 May 2013. Any Executive Officer whose incumbency generates benefits shall be entitled to receive relevant retirement bonuses at the time of his/her retirement.

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

(From 1 April 2013 to 31 March 2014)

	Number of Officers	Total amount of paid remuneration
Directors	7 officers	¥53 million
(Outside Directors)	(6 officers)	(¥34 million)
Executive Officers	8 officers	¥148 million

(Notes)

1. Amounts are rounded down to the nearest million yen.
2. Amounts include ¥3 million of provision for Company Officers' retirement benefits for the valid period until 31 May 2013 and include ¥19 million of provision for Company Officers' bonuses.
3. As of the end of the fiscal year under review, there are seven (7) Directors including six (6) Outside Directors, and six (6) Executive Officers. Please note that above table includes the amount of paid remuneration for a retired Executive Officer during the fiscal year under review.
4. 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 in “(1) Directors and Executive Officers under item 4 headed COMPANY OFFICERS”. Other entities in which Directors and Executive Officers serve concurrently have no business relations with the Company.

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

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

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

**Name of Outside
Directors**

Outline of Activities

Katsuhide Horiba	Mr. Horiba attended all of 17 Board of Directors' meetings, 8 Nomination Committee meetings and 11 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 17 Board of Directors' meetings and 15 Audit Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of a legal expert.
Noriaki Ushijima	Mr. Ushijima attended all of 17 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 17 Board of Directors' meetings and 15 Audit Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of tax and accounting expert.
Mitsutoshi Kato	Mr. Kato attended all of 17 Board of Directors' meetings, 8 Nomination Committee meetings and 11 Remuneration Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of, and based on the insight into the management of manufacturing/financial business.
Thomas Chun Kee Yip	Mr. Yip attended 16 out of 17 Board of Directors' meetings and 15 Audit Committee meetings held in the fiscal year under review. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of tax and accounting expert.

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

Not applicable.

5. ACCOUNTING AUDITORS

(1) Names of Accounting Auditors

Shimbashi & Co. and Seiwa Audit Corporation

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

Classification	Amount paid
Amount of remuneration of Accounting Auditors for the fiscal year under review	29 million yen
Shimbashi & Co.	14 million yen
Seiwa Audit Corporation	14 million yen
Amount of remuneration for Accounting Auditors payable by subsidiaries	49 million yen
Total amount of money and other property benefits to be paid by the Company and subsidiaries to Accounting Auditors	78 million yen

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

(3) Non-auditing Services

The Company commissioned consulting services for IT-related business which is not applicable to the provision of Article 2, Paragraph 1 of the Certified Public Accountants Act to Accounting Auditor and paid consideration for the services.

(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 Audit Committee, the Board of Directors may make the dismissal or disapproval of re-appointment 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 Audit Committee will remove the Accounting Auditor by consent of all of the Audit Committee members. In that case, the Audit Committee members elected by the Board shall report the dismissal of the Accounting Auditor and the reason 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 25 April 2013, a resolution was passed on the "Basic Policy on the Frameworks for Ensuring Proper Execution of Business Operations" as per the following:

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, the Company 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 profit calculated according to IFRS.

In terms of dividends from surplus, an interim dividend of ¥7.00 per Share was paid out in accordance with the resolution at the Board of Directors' meeting held on 29 October 2013. At the Board of Directors' meeting held on 29 May 2014, it was resolved to pay ¥7.00 per Share as year-end dividend. As a result, the dividend payout ratio for the fiscal year under review was 48.8%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(As of 31 March 2014)

(Millions of yen)

Item	Amount
(Assets)	
Non-current assets	
Property, plant and equipment	94,605
Intangible assets	1,408
Available-for-sale financial assets	15,413
Deferred tax assets	11,937
Other long-term assets	<u>11,423</u>
Total non-current assets	<u>134,786</u>
Current assets	
Inventories	6,125
Trade receivable	563
Financial assets at the fair value through net profit or loss	3,875
Other current assets	5,547
Bank and cash balances	<u>34,836</u>
Total current assets	<u>50,946</u>
Total assets	<u>185,732</u>

(Millions of yen)

Item	Amount
(Liabilities)	
Non-current liabilities	
Derivatives	83
Deferred tax liabilities	380
Borrowings	3,059
Finance lease payables	332
Retirement benefit obligations	63
Other long-term liabilities	1,545
Provisions	<u>3,787</u>
Total non-current liabilities	<u>9,249</u>
Current liabilities	
Trade and other accounts payable	20,882
Derivatives financial instruments	47
Borrowings	1,265
Finance lease payables	869
Provisions	1,619
Current tax liabilities	<u>8,984</u>
Total current liabilities	<u>33,666</u>
Total liabilities	<u>42,915</u>
(Equity)	
Capital	15,000
Capital surplus	10,129
Retained earnings	110,943
Other components of equity	<u>6,725</u>
Equity attributable to owners of the Company	142,797
Non-controlling interests	<u>20</u>
Total equity	<u>142,817</u>
Total liabilities and equity	<u>185,732</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(From 1 April 2013 to 31 March 2014)

(Millions of yen)

Item	Amount
Revenue	165,754
Other income	10,799
Hall operating expenses	(135,891)
General and administrative expenses	(4,075)
Other operating expenses	(1,128)
Profit from operations	35,459
Finance costs	(781)
Profit before tax	34,678
Income tax expense	(13,368)
Net profit	21,310
 Profit for the year attributable to owners of the Company	 21,328
Non-controlling interests	(18)
Net profit	21,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From 1 April 2013 to 31 March 2014)

(Millions of yen)

Item	Capital	Capital surplus	Retained earnings	Other components of equity
				Investment revaluation reserve
Balance as of 1 April 2013 (beginning of the year)	15,000	10,129	100,180	115
Profit for the year attributable to owners of the Company	—	—	21,328	—
Other comprehensive income	—	—	—	5,714
Total comprehensive income	—	—	21,328	5,714
Acquisition of subsidiaries	—	—	—	—
Other	—	—	21	—
2013 dividends	—	—	(10,586)	—
Total changes in equity for the year	—	—	10,763	5,714
Balance as of 31 March 2014 (end of the year)	<u>15,000</u>	<u>10,129</u>	<u>110,943</u>	<u>5,829</u>

Item	Other components of equity			Non-controlling interests	Total equity
	Foreign currency translation reserve	Other	Total		
Balance as of 1 April 2013 (beginning of the year)	375	28	518	—	125,827
Net profit	—	—	—	(18)	21,310
Other comprehensive income	519	(5)	6,228	(7)	6,221
Total comprehensive income	519	(5)	6,228	(25)	27,531
Acquisition of companies	—	—	—	45	45
Other	—	(21)	(21)	—	—
2013 dividends	—	—	—	—	(10,586)
Total changes in equity for the year	519	(26)	6,207	20	16,990
Balance as of 31 March 2014 (end of the year)	<u>894</u>	<u>2</u>	<u>6,725</u>	<u>20</u>	<u>142,817</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICY

1) SCOPE OF CONSOLIDATION

Number of Consolidated Subsidiaries	14
Name of Main Consolidated Subsidiaries	DYNAM Co., LTD. CABIN PLAZA Co., Ltd. DYNAM BUSINESS SUPPORT Co., Ltd. HUMAP JAPAN Co., Ltd. DYNAM Hong Kong Co., Ltd.

2) SUMMARY OF ACCOUNTING POLICIES

(1) Standards for Preparation of Consolidated Financial Statements

Consolidated Financial Statements are made in accordance with the designated IFRS pursuant to Article 120, Paragraph 1 of the Ordinance on Company Accounting, which will be applied from this fiscal year ended on 31 March 2014. But part of the disclosure items the designated IFRS requires is omitted pursuant to the provisions in the latter part of the Article 120, Paragraph 1 in this Consolidated Financial Statement.

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

(i) Inventories

1. Prizes

Prizes are stated at the lower of cost and net realizable value. The net realizable value means the amount deducted of estimated sales expenses from estimated sales price on the normal business process. Cost is determined using the weighted average basis.

2. Supplies

Supplies represent pachinko and pachislot machineries and consumables for use in the operation of halls and are stated at the lower of cost and net realizable value. Cost is determined using the first in, first out basis.

3. Property under development for sale

Property development activities are carried at the lower of cost and net realisable value.

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

(ii) Financial assets except derivatives

The Group classifies the financial assets held by us into such categories as "Financial assets at fair value through profit or loss", "Held-to-maturity-investments", "Available-for-sale financial assets" and "Trade and other receivables". These classifications are based on acquisition purposes of financial assets. The management decides the classification at the first recognition of financial assets. Normal purchase and transaction of financial assets is recognized on the transaction date.

1. Classification

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

“Financial assets at fair value through profit or loss” are financial assets held for trading. This classification is mainly applied to the case the assets are acquired for the short term trading. Derivatives are also included in the holding for trading so long as they are not specified as hedging methods. This classification of assets are classified into Current Asset in the case they will be squared accounts within 12 months, or otherwise are classified into Non-Current Assets. They are recognized initially at fair value and their transaction costs are recorded as expenses. They are subsequently measured at the fair values and the fluctuations in the values are recognized as profit or loss.

(b) Held-to-maturity-investments

“Held-to-maturity-investments” are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. They are recognized initially at fair value adding transaction costs directly attributable to these assets. They are subsequently measured at amortized cost using the effective interest method, less any impairment losses.

(c) Available-for-sale financial assets

“Available-for-sale financial assets” are non-derivative financial assets which are either specified into the classification or not specified into other classifications. These are classified into Non-Current Assets but the ones of which maturities will come within 12 months of the last day of the reporting period or which the managements have intentions to transact within the period are classified into Current Assets. They are recognized initially at fair value adding the transaction costs directly attributable to these assets. They are subsequently measured at the fair values and the fluctuations of them are recognized as other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss. The dividends acquired through such investments are recognized in profit or loss unless they definitely show the collection of investment costs.

(d) Trade and other receivables

“Trade and other receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified into Current Assets but the ones of which maturities will come more than 12 months after the last date of the reporting period are classified into Non-Current Assets.

They are recognized initially at fair value adding the transaction costs directly attributable to these assets. They are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2. Impairment of financial assets

The Group assesses whether objective evidence of impairment exists for financial assets other than “Financial assets at fair value through profit or loss” at the end of each consolidated fiscal year. Impairment losses are recognized in profit or loss when there is objective evidence that the estimated future cash flow from financial assets have been impacted as a result of more than one event occurring after the first recognition.

Listed and unlisted shares classified into available-for-sale financial assets are deemed to be objective evidence of impairment in the case their fair values fall substantially or for long time below the acquisition costs. The objective evidence of impairment related with all financial assets including redeemable securities classified into available-for-sale financial assets and finance lease receivables includes the followings:

- a. Serious deterioration of financial status of issuers or relevant parties
- b. Default and/or delinquency of payment of interests or principals
- c. High possibility that issuers will bankrupt or implement financial restructuring

Impairment losses of financial assets measured at amortized costs are measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are deducted from book values of financial assets except trade receivables of which impairment losses are recorded by use of allowance for impairment of trade and other receivables. Allowance for impairment of trade and other receivables is established in case such receivables are determined to be irrecoverable including the case of change in due dates to collect such receivables and are decreased afterwards in case trade receivables are disclaimed or recovered. Fluctuation of allowance is recognized as profit or loss except its deduction due to disclaimer or recovery. Except "available-for-sale financial assets", impairment losses are reversed in subsequent periods and recognized in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognized.

3. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets. When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets, the Group recognises liabilities related with assets to the extent of our continuing involvement.

4. Offsetting of financial assets and liabilities

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

(iii) Equity instruments and financial liabilities other than derivatives

1. Equity instruments (Ordinary shares)

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

2. Financial liabilities

Financial liabilities are classified into either "Financial liabilities at fair values through profit or loss" or "Other financial liabilities".

a. Financial liabilities at fair values through profit or loss

In case financial liabilities are designated for trading purposes or as financial liabilities at fair values through profit or loss, they are classified into financial liabilities at fair values through profit or loss. Financial liabilities are classified into holding for trading purposes in the case of any one of the followings:

- Financial liabilities acquired or arisen for the purpose of sale or redemption mostly in short term.

- At initial recognition, the financial liabilities are managed together as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivative (either not classified as hedging instruments or proved to be not effective as hedging instruments).

Financial liabilities classified as financial liabilities at fair values through profit or loss are subsequently measured at fair values and their related fluctuations are recognized as profit or loss. The profit or loss recognized is recorded on the consolidated statement of profit or loss as interest expense or gains and losses.

b. Other financial liabilities

Other financial liabilities including loans are initially recorded at the proceeds received, net of direct issue costs. They are subsequently measured at amortised costs using effective interest method and interest expense are recognized in effective interest rate method.

3. Derecognition of financial liabilities

Financial liabilities are derecognized when liabilities extinguish; liabilities specified in contracts are discharged, canceled or expired.

4. Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- the amount initially recognised less cumulative amortisation amounts in accordance with IAS No. 18 “Income”.

(iv) *Derivative financial instruments*

Derivatives are initially recognized and subsequently measured at fair value. Changes in the fair value of derivatives are recognized in profit or loss as they arise.

The Group uses interest rate swap contracts to hedge interest rate risk, but does not apply hedge accounting because it does not designate valid hedging methods against them. Fluctuations of fair values in derivatives are recognized as profit or loss in the consolidated statement of profit or loss.

(3) Depreciation method for significant depreciable assets

(i) *Property, plant and equipment*

The Group adopts “cost model” method to measure property, plant and equipment.

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

Acquired costs include the costs incurred directly related to the acquisition of the assets, initial estimated costs relating with dismantlement costs for assets and restoration costs to original state.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss during the period in which they are incurred. In addition, pachinko and pachislot machine expenses are recognised in profit or loss when it is installed for use in the operation of pachinko hall.

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

The principal useful lives are as follows:

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

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

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

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

(ii) Intangible assets

The Group adopts “cost model” method to measure intangible assets.

Intangible assets are stated at cost less accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives as follows:

Trademarks	10 years
Computer software	5 years

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

Intangible assets with indefinite useful lives are not amortized. The carrying amount of intangible assets with indefinite useful lives or cash-generating unit is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

(4) Impairment of non-financial assets

(i) Impairment of property, plant and equipment and intangible assets except goodwill

The Group assesses whether there is evidence of impairment loss for the carrying amount of property, plant and equipment and intangible assets except goodwill at the end of each fiscal year. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(ii) Impairment of goodwill

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

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing. Impairment losses of goodwill are recognized in consolidated profit or loss and are not subsequently reversed.

(5) Basis for recording provisions

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Provisions are measured at present values based on estimated future's cash flows in the case time value for money is significant. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. Present values are calculated with the discount rate before taxation, reflecting time value for money and specific risk of the assets.

Asset retirement obligation is recognized and measured in preparation for restoration to original state at buildings or premises. It is estimated specifically for each object on the basis of probable duration of use decided by past results of restoration and service life of inside work in an object. The period economic benefits are forecasted to flow out in future is the one after one year of the end of each fiscal year.

(6) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are recorded as expenses without discounted calculation when associated services are provided. Employee entitlements to annual leave recognized as obligation in the case we have current legal or constructive obligation to pay them and their amounts can be estimated with reliability as paid based on the benefit plan.

(ii) Post-retirement benefits

The Group is operating the defined contribution plan and defined benefit plan as retirement benefits plan for employees.

Expenses related with retirement benefits for the defined contribution plan show the contribution amount to the plan calculated by multiplying employees' base salaries by the constant rate and they are recognized as expenses at the time of contribution.

We calculate present value of obligation in the defined benefit plan and current and prior service costs for each benefit plan by use of projected unit credit method. The discount rate is decided based on the market yield of high-grade corporate bonds corresponding to the discount period which is set as period until the expected day for benefit payment for each future fiscal year.

Actuarial gains and losses are recognized collectively as other comprehensive income in the period it occurs and is transferred to retained earnings. All service costs relating to past service are immediately recognized in profit or loss.

(7) Basis for foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Foreign operation

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

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

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

(8) Accounting procedure for consumption taxes

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

3) Changes in significant accounting policy to make Consolidated Financial Statements

Not applicable.

2. NOTES FOR CONSOLIDATED BALANCE SHEET

- 1) **Accumulated depreciation for property, plant and equipment** ¥142,528 million

Accumulated depreciation includes accumulated impairment loss.

- 2) **Assets submitted as collateral**

The book value of the property, plant and equipment submitted as collateral for the loans to the Group as of the end of the fiscal year is ¥27,239 million.

- 3) **Allowance for doubtful accounts**

¥14 million

3. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Ordinary Shares 742,850,360 Shares

- 2) **Dividend from surplus during the consolidated fiscal year**

Resolution	Class of Share	Dividend amount (Millions of yen)	Dividend amount per Share	Record date	Effective date
Board of Directors' meeting on 28 May 2013	Ordinary Share	5,386	7.25	31 March 2013	26 June 2013
Board of Directors' meeting on 29 October 2013	Ordinary Share	5,199	7.00	14 November 2013	12 December 2013

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

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

4. NOTES TO FINANCIAL INSTRUMENTS

1) Conditions of financial instruments

(1) Policy for financial instruments

The Group's businesses face various financial risks such as market risks, credit risks, liquidity risks and so on. The Group's comprehensive risk management program is focused on analyzing unpredictable financial market and minimizing potential adverse effects on the Group's financial statements.

(2) Contents and risks of financial instruments

(i) Credit risks

Trade receivables such as bank deposits, derivative financial instruments, commission income from automatic vending machines and so on face the maximum exposure to credit risks. The Group has adopted a policy to make sure whether any automatic vending machine operator which is a third party to the Group has an appropriate credit history or not.

The Group's trade receivables are owed to automatic vending machine operators, and collection terms are ordinarily net 30 days. The Group is conducting strict management of uncollected trade receivables. Directors are regularly inspecting such uncollected trade receivables.

(ii) Liquidity risks

The Group is regularly monitoring liquidity requirement, compliance with loan covenants and relationship with banks, and is continuously securing sufficient reserves, redeemable securities and appropriate commitment lines with main financial institutions for fulfilling short term and long term liquidity requirement.

(iii) Market risks

1. Exchange rate risk

Most of business transactions, assets and liabilities of each company of the Group are recorded in Japanese yen. However, since part of business transactions are done in Hong Kong dollars or US dollars, the Group is exposed to exchange rate risk including assets and liabilities resulting from such transactions. The Group does not take any hedging measures against fluctuations in foreign exchange rate for foreign currency trading, assets and liabilities. The Group is monitoring risk of exchange fluctuation well and will implement hedging against it if necessary.

2. Price fluctuation risk

The Group is exposed to price fluctuation risk of equity financial instruments mainly comprised of listed shares. The Group is regularly reviewing the financial conditions of investees and the fair value of the shares.

3. Interest-rate risk

The Group's interest-rate risk is attributed to bank deposits and loans, and interests on such deposits and loans may fluctuate.

2) Fair value of Financial Assets

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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

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

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

(a) Disclosures of level in fair value hierarchy at 31 March:

Description	Fair value measurements using:			Total
	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	2014 ¥ million
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	3,875	—	—	3,875
Available-for-sale financial assets				
Listed securities in Japan	627	—	—	627
Listed securities in Hong Kong	14,490	—	—	14,490
	<u>15,117</u>	<u>—</u>	<u>—</u>	<u>15,117</u>
Interest rate swaps	—	130	—	130
Investment properties				
Commercial — Japan	—	—	745	745
Total recurring fair value measurements	<u>18,992</u>	<u>130</u>	<u>745</u>	<u>19,867</u>

There was no transfer among Level 1, Level 2 and Level 3 during the year.

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties 2014 ¥ million
At 1 April	769
Total losses recognised in profit or loss ^(#)	<u>(24)</u>
At 31 March	<u>745</u>
^(#) Include losses for assets held at end of reporting period	<u>(24)</u>

During the year, there was no transfer from measurement based on level 3 to level 2.

The total losses recognised in profit or loss including those for assets held at end of reporting period are presented in other operating expenses in the consolidated statement of profit or loss.

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2014

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

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

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2014 ¥ million
Derivatives — interest rate swap contracts	Discounted cash flow method	Swap rate and discount rate	(130)

During the year, there was no change in the valuation approach used.

Level 3 fair value measurements

Description	Valuation approach	Unobservable inputs	Range of unobservable inputs	Effect on fair value for increase of inputs	Fair value 2014 ¥ million
Investment properties	Income approach	Discount rate	12.0%	Decrease	
		Rental period	9.1–10.5 years	Increase	
		Capitalisation rate	15.0%	Decrease	
		Market rent	¥12,358–¥15,022 per tsubo	Increase	668
	Sales comparison approach	Transaction price for similar land	¥166–¥30,189 per square meter	Increase	
		Adjustment for attributes of the subject ^(*)	28.0%–80.0%	Increase	77
					745

(*) Including but not limited to scale, shape, size and possibility to get the development permission.

During the year, there was no change in the valuation approach used.

5. NOTES TO INFORMATION PER SHARE

1) Equity attributable to owners of the Company per Share	192.23 yen
2) Basic earnings per Share	28.71 yen

6. NOTES TO SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

7. OTHER NOTES

1) Summary of business combination

(1) *Erin International Co., Ltd.*

The Group acquired 87.6% of total shares of Erin International Co., Ltd. in the amount of ¥297 million (Equivalent to MNT4,400,207,741) on 1 May 2013. Erin International Co., Ltd. is doing operation in international transportation business, real-estate dealing and administrative work, and land developing business and sales in Mongolia. The fair values of identifiable assets and liabilities for the company as of the acquisition date are as follows:

There is no difference between the fair values and the book values.

Identifiable assets acquired and liabilities assumed	(Millions of yen)
Assets	
Property, plant and equipment	108
Inventory assets	27
Accounts receivable-trade	103
Other receivable	114
Cash and cash equivalents	112
Total assets	464
Liabilities	
Accounts payable-trade	(1)
Other payable	(20)
Debts owed to affiliates	(80)
Total liabilities	(101)
Total identifiable net assets	363
Non-controlling interests	(45)
Adjusted	318
Gain on bargain purchase	(21)
Consideration transferred	297
Consideration transferred:	
Cash	297
Analysis on cash flow due to the acquisition	
Payment in cash and cash equivalents	297
Cash and cash equivalents held by subsidiary acquired	(105)
Expenditure for the acquisition (net amount)	192

(2) HUMAP Japan Co., Ltd.

The Group acquired 100% of shares of HUMAP Japan Co., Ltd. in the amount of ¥3,792 million on 1 October 2013. It is mainly operating cleaning works in the pachinko halls operated by the Group and restaurant business for customers coming to the halls. The fair values of identifiable assets and liabilities for the company as of the acquisition date are as follows:

There is no difference between the fair values and the book values.

Identifiable assets acquired and liabilities assumed	(Millions of yen)
Assets	
Property, plant and equipment	1,280
Intangible assets	29
Accounts receivable-trade	104
Other receivable	1,459
Cash and cash equivalents	353
Total assets	1,525
Accounts receivable-trade	499
Other receivable	5,249
Liabilities	
Accounts payable-trade	(9)
Other payable	(906)
Total liabilities	(916)
Total identifiable net assets	4,332
Gain on bargain purchase	(540)
Consideration transferred	3,792
Consideration transferred:	
Cash	3,792
Analysis on cash flow due to the acquisition	
Payment in cash and cash equivalents	3,792
Cash and cash equivalents held by subsidiary acquired	(1,525)
Expenditure for the acquisition (net amount)	2,267

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

29 May 2014

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 statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity 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") for the fiscal year from 1 April 2013 to 31 March 2014.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with the latter part of Article 120, Paragraph 1 of the Ordinance on Company Accounting, 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 31 March 2014 and the results of their operations for the fiscal year ended in accordance with the latter part of Article 120, Paragraph 1 of the Ordinance on Company Accounting.

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 31 March 2014)

(Millions of yen)

(Assets)	
Current assets	32,403
Cash and deposits	12,460
Prepaid expenses	205
Accrued income	1
Short-term loans receivable	17,895
Accounts receivable-other	1,837
Other	3
Non-current assets	63,972
Property and equipment	361
Buildings	154
Tools, furniture and fixtures	6
Land	200
Intangible assets	13
Right of trade mark	13
Other	0
Investments and other assets	63,597
Stocks of subsidiaries and affiliates	63,291
Long-term prepaid expenses	101
Others	205
Total assets	<u>96,376</u>

(Millions of yen)

(Liabilities)	
Current liabilities	11,828
Accounts payable-other	42
Accrued income taxes	76
Accrued consumption taxes	15
Accrued expenses	56
Deposits received	11,616
Provision for Directors' bonuses	19
Non-current liabilities	32
Long-term accounts payable	27
Deferred tax liabilities	4
Total liabilities	<u>11,860</u>
(Net assets)	
Shareholders' equity	84,515
Capital stock	15,000
Capital surplus	55,467
Legal capital surplus	7,133
Other capital surplus	48,333
Retained earnings	14,048
Other retained earnings	14,048
Retained earnings brought forward	14,048
Total net assets	<u>84,515</u>
Total liabilities and net assets	<u><u>96,376</u></u>

STATEMENT OF INCOME
(From 1 April 2013 to 31 March 2014)

(Millions of yen)

Net sales		<u>11,162</u>
Gross profit		11,162
Selling, general and administrative expenses		<u>1,106</u>
Operating income		10,055
Non-operating income		
Interest income	138	
Foreign exchange gains	1,282	
Other	<u>20</u>	1,442
Non-operating expense		
Financing expenses	224	
Other	<u>0</u>	<u>225</u>
Ordinary income		11,272
Extraordinary expenses		
Loss on retirement of non-current assets	<u>1</u>	<u>1</u>
Income before income taxes		11,271
Income taxes — current	437	
Income taxes — deferred	<u>4</u>	<u>442</u>
Net income		<u><u>10,828</u></u>

STATEMENT OF CHANGES IN NET ASSETS

(From 1 April 2013 to 31 March 2014)

(Millions of yen)

	Capital stock	Legal capital surplus	Shareholders' Equity Capital surplus Other capital surplus	Total capital surplus
Balance as of 1 April 2013	15,000	7,133	48,333	55,467
Changes during the fiscal year				
Dividends				
Net income				
Total changes during the fiscal Year	—	—	—	—
Balance as of 31 March 2014	15,000	7,133	48,333	55,467

	Other retained earnings Retained earnings brought forward	Shareholders' Equity Retained earnings Total retained earnings	Total shareholders' equity	Total net assets
Balance as of 1 April 2013	13,804	13,804	84,272	84,272
Changes during the fiscal year				
Dividends	(10,585)	(10,585)	(10,585)	(10,585)
Net income	10,828	10,828	10,828	10,828
Total changes during the fiscal Year	243	243	243	243
Balance as of 31 March 2014	14,048	14,048	84,515	84,515

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(1) Valuation method of significant assets

Valuation method of securities

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

(2) Depreciation method of depreciable assets

Property, plant, and equipment: 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) 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.

Additional information

Allowance for Employees' retirement benefits

The Company has demolished the defined benefit plan in February 2014 and unified the plans into the defined contribution plan which has been used together for a long time. The obligation for the defined benefit plan as of 28 February 2014 will be put into the employees' defined contribution plan evenly each year over the future 4 years including the current fiscal year. The obligation projected to be put into the defined contribution plan from the next period is stated as "long-term accounts payable" in non-current liabilities on the Company's balance sheet at the current fiscal year end.

Provision for Directors' retirement benefit

The Company decided to review the payroll system for Directors and Executive Officers and to demolish the retirement benefits system for them in the remuneration committee held on 25 April 2013. The retirement benefit corresponding to the tenure of office until 31 May 2013, date for closing out accompanying its demolition will be paid to the Director or Executive Officer when they will leave their duties. The allowance for the retirement benefit for Directors is stated as included in "long-term accounts payable" in non-current liabilities in the amount of the benefit mentioned as above.

(4) 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 ¥9,270 million, and "deposits received" of ¥11,611 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	¥53 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.	270
DYNAM Business Support Co., Ltd.	4,093

(3) Assets and liabilities of subsidiaries and affiliates

(Millions of yen)

Short-term receivables	17,902
Short-term payables	11,626

3. NOTES TO STATEMENT OF INCOME

Transactions with subsidiaries and affiliates

(Millions of yen)

Business transactions	
Net sales	11,162
Selling, general and administrative expenses	64
Other transactions	154

4. NOTES TO STATEMENT OF CHANGES IN NET ASSETS

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

5. NOTES TO INCOME TAXES

(1) Deferred tax assets (current)

(Millions of yen)

Deferred tax assets	
Accrued enterprise tax	3
Accrued bonuses	14
Other	0
	<u>18</u>
Valuation reserve	(18)
Total	<u><u>—</u></u>

(2) Deferred tax assets (non-current)

(Millions of yen)

Deferred tax assets	
Investment in subsidiaries and affiliates	1,100
Other	10
	<u>1,110</u>
Subtotal	1,110
Valuation reserve	(1,110)
Total	<u><u>—</u></u>

(3) Deferred tax liabilities (non-current)

(Millions of yen)

Deferred tax liabilities	
exclusion from expenses of gain on foreign exchange	4
Total	<u><u>4</u></u>

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	Business management	Funds in trust (Note 2)	7,974	Deposits received	7,974
					Interest expense (Note 2)	1	—	—
					Management consulting fee (Note 3)	540	—	—
					Dividend income (Note 4)	10,580	—	—
					Guarantee of liabilities (Note 5)	270	—	—
	DYNAM Business Support Co., Ltd.	Direct ownership 100%	—	Business management	Lending of funds (Note 1)	9,200	Short-term loans receivable	9,200
					Interest income (Note 1)	94	Accrued Income	0
					Interest expense (Note 2)	0	—	—
					Funds in trust (Note 2)	1,076	Deposits received	1,076
					Management consulting fee (Note 3)	15	—	—
	Cabin Plaza Co., Ltd.	Direct ownership 100%	—	Business management	Guarantee of liabilities (Note 5)	4,093	—	—
					Funds in trust (Note 2)	936	Deposits received	936
					Interest expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	7	—	—
	HUMAP Japan Co., Ltd.	Direct ownership 100%	—	Business management	Funds in trust (Note 2)	1,417	Deposits received	1,417
					Interest expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	18	—	—
	Dynam Hong Kong Co., Limited	Direct ownership 100%	Present	Business management	Lending of funds (Note 1)	8,625	Short-term loans receivable	8,625
					Interest income (Note 1)	41	Accrued Income	0

(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 Business Support Co., Ltd. without receiving any guarantee fee.

7. NOTES TO BUSINESS COMBINATION

Notes are stated in the "NOTES TO BUSINESS COMBINATION" in the Consolidated Financial Statements and omitted in this sheet.

8. NOTES TO PER SHARE INFORMATION

	(Yen)
Net assets per Share	113.77
Net income per Share	14.58

9. NOTES TO SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

CERTIFIED COPY OF THE ACCOUNTING AUDITORS' REPORT

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

29 May 2014

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 3rd fiscal year from 1 April 2013 to 31 March 2014, 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 31 March 2014, 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 3rd fiscal year (1 April 2013 to 31 March 2014). 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 Auditors maintained its independence and properly conducted its audit, received a report from the Accounting Auditors on the status of their performance of duties, and requested explanations as necessary. The Audit Committee was notified by the Accounting Auditors that it had established a "system to ensure that the performance of the duties of the Accounting Auditors was properly conducted" (the matters listed in the items of Article 131 of the Ordinance on Company Accounting) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on 28 October 2005), and requested explanations as necessary.

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

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

29 May 2014

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 3RD ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

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

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

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

2. Second Resolution: Proposed Election of Eight (8) Directors (Ordinary Resolution)

The term of office of all seven (7) current Directors will expire as of the end of this Meeting. Accordingly, the Company proposes that eight (8) Directors be elected based on the decisions by the Nomination Committee.

The details of Director candidates are as follows. 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.

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
1	Yoji Sato (24 September 1945)	January 1970 Joined Sawa Shoji Co., Ltd. (currently DYNAM Co., Ltd.) September 1978 President and Representative Director of Sawa Shoji Co., Ltd. June 2000 Chairman and Representative Director of DYNAM Co., Ltd. April 2003 President and Representative Director of Dynam Investment Co., Ltd. March 2007 Representative Director and CEO of DYNAM Holdings Co., Ltd. December 2009 Representative Chairman of One Asia Foundation (present) September 2011 Executive Director and CEO of the Company (present) January 2013 CEO of Dynam Hong Kong Co., Limited (present) June 2013 Executive Director of the Company (present)	162,522,560
※ 2	Kohei Sato (26 November 1954)	March 1983 Joined Advantest Corporation June 1985 Joined Kodak Co., Ltd. June 1995 Joined DYNAM Co., Ltd. June 1998 Director, Corporate Planning Office of DYNAM Co., Ltd. April 1999 Director, Sales Department of DYNAM Co., Ltd. June 2000 President and Representative Director of DYNAM Co., Ltd. (present) January 2013 CEO of the Company (present)	55,139,680
3	Katsuhide Horiba (16 May 1944)	March 1994 Director and Divisional Manager of Accounting Department of The Daiei, Inc. 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 concurrently serving as Director of LIFE Co., Ltd. October 2006 Director of DYNAM Holdings Co., Ltd. September 2011 Independent Non-executive Director of the Company (present)	0

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held		Number of Company's Shares Owned
4	Ichiro Takano (8 May 1956)	April 1987 April 1992 June 2005 October 2006 March 2007 July 2008 September 2011	Registered as Attorney-at-Law Joined Tokyo Eiwa Attorneys at Law Independent Auditor of HIKARI TSUSHIN, INC. (present) Auditor of DYNAM Holdings Co., Ltd. Director of DYNAM Holdings Co., Ltd. Established Takano Law Offices (present) Independent Non-executive Director of the Company (present)	20,000
5	Noriaki Ushijima (12 May 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
6	Yukio Yoshida (13 May 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 Guest Professor at Toyo University Graduate Director of DYNAM Holdings Co., Ltd. Independent Non-executive Director of the Company (present)	140,000
7	Mitsutoshi Kato (20 March 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 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
8	Thomas Chun Kee Yip (22 March 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)

1. The candidate marked with ※ is a new Director candidate.
2. Each candidate has no special interest in the Company.
3. 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.

4. 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 two (2) years and nine (9) months as of the conclusion of this Meeting.
- 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 two (2) years and nine (9) months as of the conclusion of this Meeting.
- 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 two (2) years and nine (9) months as of the conclusion of this Meeting.
- 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 two (2) years and nine (9) months as of the conclusion of this Meeting.
- 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 two (2) years and three (3) months as of the conclusion of this Meeting.
- 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 two (2) years and three (3) months as of the conclusion of this Meeting.

5. Contracts for limitation of liability with Outside Directors

Not applicable.

Further supplemental information in relation to the proposed election of the Director candidates is set out in Appendix III to this Notice.

3. Third Resolution: Proposed Election of an Accounting Auditor pursuant to the Companies Act

Shimbashi & Co. and Seiwa Audit Corporation, which are the current Accounting Auditors of the Company, will retire upon the expiration of its term of office at the conclusion of the Meeting.

The Company has been preparing the Consolidated Financial Statements in accordance with IFRS for annual report since its listing on the Stock Exchange. Upon an easing of requirements for optional application of IFRS in Japan, the Group has prepared financial reporting for Japanese shareholders and investors in compliance with IFRS as well since the consolidated fiscal year ended 31 March 2014.

Accordingly, for the purpose of establishing more efficient auditing system based on IFRS, the Company will elect PricewaterhouseCoopers Aarata ("PwC Aarata") which is a member firm in Japan of PricewaterhouseCoopers as an Accounting Auditor of the Company in place of current joint auditing system by multiple Accounting Auditors.

Details of PwC Aarata are as follows:

(As of 31 March 2014)

Name	PricewaterhouseCoopers Aarata	
Principal Office	8-21-1 Ginza, Chuo-ku, Tokyo, Japan	
History	June 2006: Establishment of PwC Aarata July 2006: Inauguration of operations	
Capital	1,841 million yen	
Staffing	Partners	110
	Certified Public Accountants ("CPAs")	758
	Assistant CPAs	367
	US CPAs and other professionals	497
	Clerks	317
	Total	<u>2,049</u>

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

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

RSM Nelson Wheeler (“RSM”), the current Auditor of the Company pursuant to Rule 13.88 of the Listing Rules, will retire upon the expiration of its current term of office with effect from the conclusion of the Meeting.

Upon the recommendation made by the Audit Committee of the Company, the Board has resolved to propose the appointment of PwC Aarata as the new Auditor of the Company at the Meeting following the retirement of RSM. PwC Aarata shall hold office from the conclusion of the Meeting to the conclusion of the next annual general meeting of the Company, subject to the approval of the Shareholders at the Meeting.

PwC Aarata is a Japanese member firm of PricewaterhouseCoopers and a member of the Japanese Institute of Certified Public Accountants (“JICPA”). The JICPA is a member of the International Federation of Accountants and is subject to the supervision by Japan Financial Services Agency. PwC Aarata adopts International Standards on Auditing as the auditing standards. The Company has confirmed that PwC Aarata is independent of the Company to the same extent as that required of an auditor under the Companies Ordinance (Cap. 622 of the laws of Hong Kong) and in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants.

The Company has received confirmation from the Stock Exchange that the appointment of PwC Aarata as the new Auditor of the Company is acceptable under Rule 19.20(2) of the Listing Rules.

The Company has received a confirmation from RSM that there is no matter which RSM needs to bring to the attention of the Shareholders in relation to its retirement as the Auditor of the Company. The Board is not aware of any matter in respect of the proposed change of Auditor of the Company that need to be brought to the attention of the Shareholders.

Accordingly, the Company proposes to elect PwC Aarata as the new Auditor of the Company for the purpose of the Listing Rules at the Meeting, the appointment of which is subject to mandatory re-appointment at each year’s annual general meeting of the Company.

5. RECOMMENDATION

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

SUPPLEMENTAL INFORMATION ON THE SECOND RESOLUTION: Proposed Election of Eight (8) Directors (Ordinary Resolution)

ELECTION OF DIRECTORS

As stated in Part 2 of Appendix II, the following candidates (the “Candidates”) are recommended by the Nomination Committee of the Board to be, subject to Shareholders’ approval, elected as Directors:

Executive Directors:

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

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

Non-executive Director:

Mr. Noriaki USHIJIMA

Independent Non-executive Directors:

Mr. Katsuhide HORIBA

Mr. Ichiro TAKANO

Mr. Yukio YOSHIDA

Mr. Mitsutoshi KATO

Mr. Thomas Chun Kee YIP

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

Length of service

The Candidates, if elected as Directors at the Meeting, will hold office with immediate effect until the close of the next annual general meeting of the Shareholders to be held in 2015. The length of service of the Candidates with the Company shall be one year.

Proposed remuneration

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

Executive Directors

Mr. Yoji SATO ¥12,600,000

Mr. Kohei SATO ¥42,000,000

Non-executive Director

Mr. Noriaki USHIJIMA ¥6,000,000

Independent non-executive Directors

Mr. Katsuhide HORIBA	¥6,000,000
Mr. Ichiro TAKANO	¥6,000,000
Mr. Yukio YOSHIDA	¥6,000,000
Mr. Mitsutoshi KATO	¥6,000,000
Mr. Thomas Chun Kee YIP	¥6,000,000

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

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

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

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

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

(i) Interests in the Company

Name of Candidate	Nature of Interest	Number of Shares of the Company ⁽¹⁾	Approximate Percentage of Interest in the Company ⁽²⁾
Mr. Yoji SATO ("Mr. Sato")	Beneficial owner ⁽³⁾	162,522,560	60.668%
	Interest in controlled corporation	95,810,000	
	Interest in spouse ⁽³⁾	760	
	Other ⁽⁵⁾	192,335,800	
Mr. Kohei SATO		450,669,120	60.668%
	Beneficial owner ⁽⁴⁾	55,139,680	
	Other ⁽⁵⁾	395,529,440	
Mr. Noriaki USHIJIMA	Beneficial owner	838,000	0.113%
Mr. Ichiro TAKANO	Beneficial owner	20,000	0.003%
Mr. Yukio YOSHIDA	Beneficial owner	140,000	0.019%

Notes:

- (1) All interests stated are long positions.
- (2) There were 742,850,360 Shares in issue as at the date of the Notice.
- (3) Mr. Sato is beneficially interested in 162,522,560 Shares. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Sato's interests under the SFO. Rich-O Co., Ltd., which owns 95,810,000 Shares is a company owned as to 99.9% and controlled by Mr. Sato.
- (4) Mr. Kohei SATO, one of the Sato Family Members (as hereinafter defined), became the sole Chief Executive Officer of the Company on 25 June 2013. He is beneficially interested in 55,139,680 Shares.
- (5) The Sato family members ("Sato Family Members") consist of Mrs. Keiko SATO (wife of Mr. Sato), Mrs. Yaeko NISHIWAKI (sister of Mr. Sato), Mr. Masahiro SATO (brother of Mr. Sato), Mr. Shigehiro SATO (brother of Mr. Sato), Mr. Kohei SATO (brother of Mr. Sato and Chief Executive Officer), and Mr. Kiyotaka SATO (uncle of Mr. Sato). The Sato Family Members are the beneficial owners of 192,336,560 Shares. Each of the Sato Family Members is a family member of Mr. Sato and of each other, and is therefore deemed to be interested in the Shares in the Company in which Mr. Sato is interested, and Mr. Sato is deemed to be interested in the Shares in the Company in which each of the Sato Family Members is interested.

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

(ii) Interest in the associated corporation

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

Additional information under Rule 13.51(2)

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

Independence requirements under Rule 3.13

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

During the year ended 31 March 2014, Mr. Katsuhide HORIBA, Mr. Ichiro TAKANO, Mr. Yukio YOSHIDA, Mr. Mitsutoshi KATO and Mr. Thomas Chun Kee YIP were Outside Directors (*shagai torishimariyaku* 社外取締役) of the Company. The Directors are of the view that this position does not affect these five persons' independence under Rule 3.13(7) of the Listing Rules because (i) as confirmed by the Company's Japan legal adviser, Soga Law Office, the five persons, as Outside Directors (*shagai torishimariyaku* 社外取締役), were not allowed to perform any executive functions in the Company under the relevant Japanese law and (ii) the five persons are independent of the Company, Directors, Chief Executive Officer, substantial Shareholders, controlling Shareholders, each of our subsidiaries and each of their respective associates.

APPENDIX IV

The guide map of Annual General Meeting of Shareholders

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

Tel. 03-5850-3660

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

