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**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 DYNAM JAPAN HOLDINGS Co., Ltd. (the “Company”) will be held at 2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan on Thursday, 20 June 2019 at 10:00 a.m., (Japan time) for the following purposes:

### **MATTERS TO BE REPORTED**

1. Report on the Business Report and the Financial Statements, and report on results of the audit by the Accounting Auditor and the review by the Audit Committee on the Financial Statements for the 8th fiscal year (from 1 April 2018 to 31 March 2019)

### **MATTERS TO BE RESOLVED**

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

By order of the Board  
**DYNAM JAPAN HOLDINGS Co., Ltd.**  
**Kohei SATO**  
*Chairman of the Board*

Tokyo, Japan, 29 May 2019

*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 of the date of this announcement, the executive director of the Company is Mr. Kohei SATO, the non-executive directors of the Company are Mr. Yoji SATO, Mr. Tatsuji FUJIMOTO and Mr. Noriaki USHIJIMA, and the independent non-executive directors of the Company are Mr. Ichiro TAKANO, Mr. Mitsutoshi KATO, Mr. Thomas Chun Kee YIP, Mr. Kei MURAYAMA and Mr. Kiyohito KANDA.*

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

29 May 2019

Kohei Sato, Chairman of the Board  
DYNAM JAPAN HOLDINGS Co., Ltd.  
2-25-1-702 Nishi-Nippori, Arakawa-ku, Tokyo, Japan

**CONVOCATION NOTICE  
FOR THE 8TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

NOTICE IS HEREBY GIVEN THAT the 8th Annual General Meeting of Shareholders (the “Meeting”) of 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, 20 June 2019 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 Financial Statements, and report on results of the audit by the Accounting Auditor and the review by the Audit Committee on the Financial Statements for the 8th fiscal year (from 1 April 2018 to 31 March 2019)

**Matters to be Resolved**

<b>First Resolution</b>	<b>General Mandate to Allot, Issue and Deal in Shares</b>
<b>Second Resolution</b>	<b>General Mandate to Repurchase Shares</b>
<b>Third Resolution</b>	<b>Proposed Election of Nine (9) Directors</b>
<b>Fourth Resolution</b>	<b>Proposed Election of an Auditor pursuant to the Listing Rules</b>

#### **4. Rules 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. 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 Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

## 5. Other Precautions

- (1) All resolutions set out in this convocation notice (the “Notice”) will be decided by poll at the Meeting in accordance with Rule 13.39(4) of the Listing Rules.
- (2) Shareholders having voting rights recorded in the most recent share registry as of 23 May 2019 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 voting rights entitled by 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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### Final Dividend for the 8th fiscal year

On 23 May 2019, the board of directors of the Company declared the final dividend of JPY6.00 or HKD 0.4278 per ordinary share of the Company. The final dividend will be payable on Friday, 21 June 2019 to the Shareholders whose names appear on the share register of the Company at the close of business on Monday, 3 June 2019.

**BUSINESS REPORT**  
(1 April 2018 to 31 March 2019)

**1. THE COMPANY AND ITS SUBSIDIARIES (THE “GROUP”)**

**(1) Progress of Business and Results**

During the fiscal year under review, against the backdrop of high level of corporate earnings continuing, the Japanese economy showed healthy movements such as the picking up in personal consumption resulting from the improvement in employment and income-earning environments. However, the outlook for business climate is still showing uncertainty due to some matters of concern resulting from the Brexit, trade friction between the U.S. and China and so forth.

The pachinko hall industry still faces the severe business environment, and we can see that the market size and the number of playing machines installed continued to show the downward trend. Also, our halls already started to install those machines compliant with the new machine regulations. We expect that the machines will gradually be replaced with less volatile machines, as much more machines compliant with the new regulations will appear in the market.

In these circumstances, our Group made efforts to improve cost-efficiency through such means as using second-hand machines and selecting machines pursuant to the playing data which our halls have accumulated. Further, our Group made efforts to improve the machine utilisation on a continuous basis by implementing various kinds of business measures such as amending the mix of machines installed in halls and renovating the halls in light of the viewpoint of players.

The Group aims at making Pachinko game a usual amusement everybody can enjoy and is working to expand the market shares in the industry by opening low playing cost halls. The Group opened 2 new low playing cost halls, closed 2 halls due to the review of the business area and converted 5 high playing cost halls into low playing cost halls during the fiscal year under review. As a result, as at 31 March 2019, the number of halls in the Group reached 450 consisting of 176 high playing cost halls and 274 low playing cost halls.

During the fiscal year under review, due to natural disasters such as the torrential rain in the western area of Japan in July and the earthquake in the eastern Iburi areas of Hokkaido in September, our two halls, namely, Dynam's Okayama Mabi hall and Dynam's Ehime Osu hall suffered most and were flooded and could not avoid ceasing operation for a long time.

As for the new business of aircraft lease, the Company incorporated a subsidiary in Ireland during the financial year under review in preparation for the acquisition of aircraft during and after the next financial year.

As a result, the non-consolidated operation results of the Company for the fiscal year under review were as follows: net sales of ¥9,991 million (-0.5%, year-on-year); the ordinary income of ¥8,997 million (+5.0%, year-on-year); and the net income of ¥8,889 million (+3.7%, year-on-year).

The consolidated operation results of the Company for the same fiscal year were as follows: operating revenue of ¥146,371 million (-3.8%, year-on-year), the operating profit of ¥19,342

million (+11.5%, year-on-year) and the net profit attributable to Owners of the Company of ¥12,596 million (+15.9%, year-on-year).

(Note) The figures of the consolidated operation results are from the consolidated financial statements that have been prepared pursuant to the International Financial Reporting Standards which we voluntarily disclose for information purposes and are not audited by the accounting auditor.

## **(2) Financing**

### **1) *Financing of the Company***

Not applicable.

### **2) *Financing of the Group***

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

- (i) Using the cash at hand, the Group repaid interest-bearing debt. The Group had interest-bearing debt of ¥2.626 billion as of the end of fiscal year under review, decreased by ¥5.946 billion, year-on-year.
- (ii) The Group extended the Commitment Line Contract (Contract Amount: ¥15.0 billion, Contract Period: 3 years) responsive to earthquake disaster for one more year until March 2022.

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

(Note) The figures of the financing of the Group are from the consolidated financial statements that have been prepared pursuant to the International Financial Reporting Standards which we voluntarily disclose for information purposes and are not audited by the accounting auditor.

## **(3) Capital Expenditure**

### **1) *Capital Expenditure of the Company***

Not applicable.

### **2) *Capital Expenditure of the Group***

Total capital expenditures for the fiscal year under review was ¥8.420 billion, mainly consisting of buildings and structures as well as tools, furniture and fixtures accompanying the opening of new pachinko halls and renovation of existing pachinko halls.

(Note) The figures of the capital expenditure of the Group are from the consolidated financial statements that have been prepared pursuant to the International Financial Reporting Standards which we voluntarily disclose for information purposes and are not audited by the accounting auditor.

#### (4) Management Issues

##### 1) Pursuing low-cost management

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

##### 2) Strengthening internal control

The Group has established the Group Internal Control Committee, made the internal control systems of the Group based on the “Basic Policy for Internal Control” decided by the board (the “Board”) of directors (the “Directors”), checked and improved the systems according to the change of laws and regulations. The Group has in place the Group risk management committee under the Group, grasp the intrinsic risk of the whole Group comprehensively and resolve issues related to the risk management.

#### (5) Trends in Property and Gains (Losses)

##### 1) Trends in Property and Gains (Losses) of the Company:

	5th Fiscal Year	6th Fiscal Year	7th Fiscal Year	8th Fiscal Year
	Fiscal Year ended 31 March 2016	Fiscal Year ended 31 March 2017	Fiscal Year ended 31 March 2018	Fiscal Year ended 31 March 2019
Net sales (Millions of yen)	11,544	12,043	10,038	9,991
Operating income (Millions of yen)	10,346	10,793	8,572	8,997
Net income (Millions of yen)	5,520	10,823	8,573	8,889
Earnings per Share (Yen)	7.28	14.13	11.19	11.61
Total assets (Millions of yen)	104,684	111,345	105,311	110,130
Total net assets (Millions of yen)	93,118	94,829	94,211	93,908
Net assets per Share (Yen)	121.43	123.80	122.99	122.60

2) *Trends in Property and Gains (Losses) of the Group:*

	<b>International Financial Reporting Standard (“IFRS”)</b>			
	<b>5th Consolidated Fiscal Year</b>	<b>6th Consolidated Fiscal Year</b>	<b>7th Consolidated Fiscal Year</b>	<b>8th Consolidated Fiscal Year</b>
	<b>Fiscal Year ended 31 March 2016</b>	<b>Fiscal Year ended 31 March 2017</b>	<b>Fiscal Year ended 31 March 2018</b>	<b>Fiscal Year ended 31 March 2019</b>
Revenue (Millions of yen)	155,911	156,869	152,092	146,371
Operating profit (Millions of yen)	18,166	15,899	17,349	19,342
Net profit attributable to owners of the Company (Millions of yen)	10,544	9,360	10,870	12,596
Basic earnings per Share (Yen)	13.92	12.23	14.19	16.44
Total assets (Millions of yen)	189,184	205,115	184,971	185,332
Equity attributable to owners of the Company (Millions of yen)	132,645	136,953	137,532	141,821
Equity attributable to owners of the Company per Share (Yen)	173.40	178.79	179.55	185.15

(Notes)

1. The figures of the 5th, 6th and 7th consolidated fiscal year were audited by PricewaterhouseCoopers Aarata LLC. Also, the figures of the 8th consolidated fiscal year were from the consolidated financial statements that have been prepared pursuant to the IFRS which we voluntarily disclose for information purposes and are not audited by the accounting auditor.

**(6) Important Parent Company and Subsidiaries**

1) *Status of parent company:*

Not applicable.

2) *Important subsidiaries*

(As of 31 March 2019)

<b>Name of Company</b>	<b>Capital Stock</b>	<b>Ratio of Voting Rights</b>	<b>Principal Business Description</b>
DYNAM Co., Ltd.	¥5,000 million	100%	Operation of pachinko halls
Yume Corporation Co., Ltd.	¥50 million	100%	Operation of pachinko halls
Cabin Plaza Co., Ltd.	¥10 million	100%	Operation of pachinko halls
DYNAM Business Support Co., Ltd.	¥1,020 million	100%	Property Management, Hall Development
Nihon Humap Co., Ltd.	¥100 million	100%	Restaurant, Cleaning Services
Dynam Hong Kong Co., Limited	HK\$0.8 billion	100%	Investment businesses in Asian regions
Dynam Aviation Ireland Limited	US\$1 million	100%	Aircraft Lease

### 3) *Matters of Specified Wholly Owned Subsidiary*

<b>Name</b>	<b>Address</b>	<b>Total Book Value</b>	<b>Total Assets</b>
DYNAM Co., Ltd.	2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo	¥49,701 million	¥110,130 million

### (7) **Principal Business Description**

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

The principal businesses of the Group are as follows.

(As of 31 March 2019)

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

### (8) **Principal Business Premises**

#### 1) *The Company*

(As of 31 March 2019)

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 2019)

DYNAM Co., Ltd.	Head Office	2-27-5 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Pachinko Halls Distribution Centers	406 halls in 46 prefectures in Japan 16 locations in 16 prefectures in Japan
Yume Corporation Co., Ltd.	Head Office	1-135 Ekimae Odori, Toyohashi, Aichi, Japan
	Pachinko Halls	36 halls in 23 prefectures in Japan
Cabin Plaza Co., Ltd.	Head Office	5-21-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Pachinko Halls	8 halls in 5 prefectures in Japan
DYNAM Business Support Co., Ltd.	Head Office	5-21-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
Nihon Humap Co., Ltd.	Head Office	5-15-7 Nishi-Nippori, Arakawa-ku, Tokyo, Japan
	Restaurants	392 restaurants in 46 prefectures in Japan
Dynam Hong Kong Co., Limited	Head Office	Unit A1, 32nd Floor, United Centre, 95 Queensway, Admiralty, Hong Kong
Dynam Aviation Ireland Limited	Head Office	32 Molesworth Street, Dublin 2, D02Y512, Ireland

## (9) Status of Employees

### 1) Number of employees in the Company

(As of 31 March 2019)

Number of Employees	Changes from the End of the Previous Fiscal Year
47	+3

(Notes)

1. The above number refers to the number of employees at work in the Company. Apart from the above, the Company employed 5 temporary employees.
2. Number of employees includes secondees from subsidiaries to the Company, and excludes secondees from the Company to subsidiaries.

### 2) Number of employees in the Group

(As of 31 March 2019)

Number of Employees	Changes from the End of the Previous Fiscal Year
5,507	+549

(Note) The above number refers to the number of employees at work in the Group. Apart from the above number, there are 12,516 temporary employees.

## (10) Lenders

Not applicable.

## (11) Other Significant Matters Related to the Corporate Group

Not applicable.

## 2. MATTERS RELATED TO THE SHARES IN THE COMPANY (As of 31 March 2019)

- (1) Total Number of Shares Authorized for Issue: 2,520,000,000 Shares
- (2) Total Number of Issued Shares: 765,985,896 Shares
- (3) Number of Shareholders: 166 Shareholders
- (4) Major Shareholders:

Major Shareholders	Investment in the Company	
	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
HKSCC Nominees Limited	185,768	24.25
Sato Aviation Capital Limited	177,822	23.21
Rich-O Co., Ltd.	95,810	12.51
One Asia Foundation	80,000	10.44
Kohei Sato	55,139	7.20
Shigehiro Sato	44,375	5.79
Masahiro Sato	22,979	3.00
Yaeko Nishiwaki	22,979	3.00
DYNAM JAPAN HOLDINGS Employee Stock Ownership Plan	17,917	2.34
N. Company Co., Ltd.	17,917	2.34

(Notes)

1. There are no treasury Shares held.
2. Number of Shares held is stated based on the number of Shares beneficially held by the relevant shareholder.
3. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, and the nominee shareholder of the Company's shares listed on the Stock Exchange that are deposited in the account of the CCASS.

(5) Other Important Matters Related to Shares:

Not applicable.

**3. STOCK ACQUISITION RIGHTS**

Not applicable.

**4. COMPANY OFFICERS**

**(1) Directors and Executive Officers**

(As of 31 March 2019)

<b>Name</b>	<b>Position and Area of Responsibilities in the Company</b>	<b>Responsibilities and Other Significant Concurrent Offices Held</b>
Mr. Kohei SATO	Executive Director, Chairman of the Board, Chief Executive Officer, Member of Nomination Committee and Member of Remuneration Committee	Director and Chairman of DYNAM Co., Ltd. Director and CEO of Dynam Hong Kong Co., Limited
Mr. Yoji SATO	Non-executive Director Senior Corporate Advisor of the Board	Director of Dynam Hong Kong Co., Limited and Representative Director of One Asia Foundation
Mr. Tatsuji FUJIMOTO	Non-executive Director	Representative Director and President of DYNAM Co., Ltd.
Mr. Ichiro TAKANO	Independent Non-executive Director and Chairman of Audit Committee	Attorney-at-law, Outside Director and Audit Committee Member of HIKARI TSUSHIN, INC.
Mr. Noriaki USHIJIMA	Non-executive Director	Nil
Mr. Mitsutoshi KATO	Independent Non-executive Director, Chairman of Nomination Committee and Chairman of Remuneration Committee	Representative Director and CFO of ECO-MATERIAL CORPORATION

<b>Name</b>	<b>Position and Area of Responsibilities in the Company</b>	<b>Responsibilities and Other Significant Concurrent Offices Held</b>
Mr. Thomas Chun Kee YIP	Independent Non-executive Director and Member of Audit Committee	Practicing Director (Hong Kong Certified Public Accountant) of AIP Partners C.P.A. Limited
Mr. Kei MURAYAMA	Independent Non-executive Director, Member of Nomination Committee and Member of Remuneration Committee	Nil
Mr. Kiyohito KANDA	Independent Non-executive Director and Member of Audit Committee	Tax Accountant
Mr. Makoto SAKAMOTO	Executive Officer	Managing Director of DYNAM Co., Ltd.
Mr. Yoshiyuki MIZUTANI	Executive Officer	Managing Director of DYNAM Co., Ltd.
Mr. Hisao KATSUTA	Executive Officer	Director of Dynam Hong Kong Co., Limited
Mr. Seiji OBE	Executive Officer	Director of Dynam Aviation Ireland Limited
Mr. Kimiharu SATO	Executive Officer	Director of DYNAM Co., Ltd.

(Notes)

1. Messrs. Ichiro Takano, Noriaki Ushijima, Mitsutoshi Kato, Thomas Chun Kee Yip, Kei Murayama and Kiyohito Kanda are Outside Directors as prescribed under Article 2, Item 15 of the Companies Act. Further, Mr. Noriaki Ushijima is a non-executive Director and Messrs. Ichiro Takano, Mitsutoshi Kato, Thomas Chun Kee Yip, Kei Murayama and Kiyohito Kanda are independent non-executive Directors pursuant to the Listing Rules.
2. Mr. Ichiro Takano, the chairman of the Audit Committee, is an attorney with thorough knowledge of corporate legal affairs. Having served as outside company auditor in other companies, he has adequate knowledge and insight in finance and accounting as well.
3. Mr. Thomas Chun Kee Yip, a member of the Audit Committee, 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.
4. Mr. Kiyohito Kanda, a member of the Audit Committee, is a tax accountant. He has adequate knowledge and insight in finance and accounting.
5. The Company has assigned to the Audit Committee Office a full-time audit assistant for supporting the duties of the Audit Committee, and so has not selected a full-time member of the Audit Committee.

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

At the Remuneration Committee meeting, a resolution was passed to revise the method of payment of executive remunerations and bonuses as follows.

### *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 at an amount commensurate with the role expected, as well as the responsibility required in each position, in view of the standard at the industry peers as well as private businesses of equivalent scale in the similar sectors.

### *2) Remuneration for Directors*

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

A fixed remuneration shall be set based on the remuneration rank which is decided considering the rank and role, and the classification of whether the Director is full-time or part-time in the Group.

Bonus shall be determined by the level of performance of the Company.

Director's remuneration shall not be payable to a Director concurrently serving as an Executive Officer.

### *3) Remuneration for Executive Officers*

Remuneration for Executive Officers consists of fixed remuneration and performance-related bonus and a fixed remuneration shall be set based on each Officer's rank and role and a bonus shall be determined by the level of performance of the Company.

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

(From 1 April 2018 to 31 March 2019)

	<b>Number of Officers</b>	<b>Total amount of paid remuneration</b>
Directors	8	¥85 million
(Outside Directors)	(6)	(¥39 million)
Executive Officers	6	¥158 million

(Notes)

1. Amounts are rounded off to the nearest million yen.
2. As of the end of the fiscal year under review, there are nine (9) Directors (including six (6) Outside Directors and one (1) Executive Director concurrently serving as Executive Officer) and five (5) Executive Officers. Please note that the remuneration for Director shall not be paid to a Director concurrently serving as an Executive Officer.

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

Not applicable.

## (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 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

Not applicable.

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

<b>Name of Outside Directors</b>	<b>Outline of Activities</b>
Mr. Ichiro TAKANO	Mr. Takano attended all of 14 Board 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.
Mr. Noriaki USHIJIMA	Mr. Ushijima attended all of 14 Board 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.
Mr. Mitsutoshi KATO	Mr. Kato attended all of 14 Board meetings, 4 Nomination Committee meetings and 5 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.
Mr. Thomas Chun Kee YIP	Mr. Yip attended all of 14 Board 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 tax and accounting expert.
Mr. Kei MURAYAMA	Mr. Murayama attended all of 14 Board meetings, 4 Nomination Committee meetings and 5 Remuneration Committee meetings. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of an expert on human resources and labor relations.
Mr. Kiyohito KANDA	Mr. Kanda attended all of 14 Board meetings and 15 Audit Committee meetings. He made remarks as appropriate in the course of deliberation of proposals, etc. from the viewpoint of a tax and accounting expert.

## 5. ACCOUNTING AUDITOR

### (1) Name of Accounting Auditor

PricewaterhouseCoopers Aarata LLC

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

Classification	Amount paid
Amount of remuneration of Accounting Auditor payable by the Company	¥71 million
Amount of remuneration for Accounting Auditor payable by subsidiaries	¥26 million

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

### (3) Reason Audit Committee Consented to Remuneration of Accounting Auditor

The Audit Committee reviewed and considered the Accounting Auditor's team formation, audit plan, implementation status, establishment of quality control system and quotation of remuneration based on "Practical Guidelines for Alliance with Accounting Auditor". As a result, the Audit Committee consented to the remuneration of the Accounting Auditor as specified in Article 399, Paragraph 2 of the Companies Act.

### (4) Outline of the Contracts for Limitation of Liability

Not applicable.

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

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

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

## 6. FRAMEWORKS AND POLICIES OF THE COMPANY

### (1) Frameworks for Ensuring Proper Execution of Business Operations

At the Board meeting, a resolution was passed on the basic policy of internal control as per the following:

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

Executive Officers shall follow laws and rules in respect of document management, while

maintaining and controlling information concerning the execution of their duties.

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

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

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

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

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

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

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

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

The Company shall conform to the following matters to run the business according to the corporate philosophy in addition to the compliance with laws and regulations and articles of incorporation of the Company (the "Articles").

- (i) The Company shall establish "DYNAM JAPAN HOLDINGS Group Charter of Corporate Behavior" for executives and employees to comply with laws and regulations and articles of incorporation.
- (ii) The Company shall keep executives and employees of the Group informed thoroughly of the "DYNAM JAPAN HOLDINGS Group Charter of Corporate Behavior".
- (iii) The Company shall countermeasure any issues concerning compliance based on "DYNAM JAPAN HOLDINGS Group Charter of Corporate Behavior".
- (iv) Executive Officers shall establish a whistle-blowing system for the Group to enhance effectiveness of the compliance framework.

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

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

- (i) The Company shall, through regularly held Management Strategy Conference and Business Briefing Sessions, grasp the action plans of subsidiaries which received correction instruction from the Company to conduct proper management guidance and

control, in addition to the deliberation for the report of business and financial condition and other essential information. Meanwhile, the Company keeps identifying business risks that can be envisaged, and takes necessary risk management measures.

- (ii) Executive Officers shall establish the Group Risk Management Committee under the Group Internal Control Committee to develop and operate a system necessary to manage risks of loss.
- (iii) The Board lays out the primary Group management policies, while approving the business plans/budgets to ensure their prompt business execution.

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

- (iv) Executive Officers shall keep executives and employees of the Group informed thoroughly of the "DYNAM JAPAN HOLDINGS Group Charter of Corporate Behavior", relevant laws and regulations and rules and regulations of each Group company.

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

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

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

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

Executive Officers shall establish the Audit Committee Support Office consisting of employees who are to assist 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 who are appointed to work at the Audit Committee Support Office, in terms of their execution of duty and personnel matters.

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

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

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

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

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

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

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

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

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

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

## **(2) Summary of Operational Status of the Above Frameworks**

The summary of operational status of the above frameworks during the fiscal year under review is as shown below.

### **1) *Compliance***

The Company has established “DYNAM JAPAN HOLDINGS Group Charter of Corporate Behavior” consisting of corporate philosophy and management policies. The Group continuously provides education to all officers and employees for ensuring each of them will understand thoroughly and act in accordance with this Behavior.

The Company is operating an internal whistle blowing system for earlier discovery of organizational or individual compliance violations such as illegal action, injustice, regulatory violation and so on and violations in the course of business. Further, as the countermeasure for excluding the anti-social force, the Company has been conducting screening surveys on suppliers and has agreed with new suppliers not to have any relationship with the anti-social force. In this manner, the Company has taken necessary actions to block any relationship with the anti-social force.

### **2) *Risk Management***

Executive Officers have established the Group Risk Management Committee under the Group Internal Control Committee and the Group has been discussing analysis of risks impeding business activities and urgent countermeasure for the occurrence of cases and accidents.

### **3) *Management of Subsidiaries***

The Company has received reports on the management situation, financial condition and any other significant matters from subsidiaries and conducted proper management guidance to them in monthly Business Briefing Sessions and other meetings. Further, the Company has conducted the audit of subsidiaries for checking the status of compliance with laws and regulations, the execution status of their duties and so on. Through such audit, the Company has confirmed each Group company's issues and problems earlier and made the improvement plan on such issues thereby having secured the appropriateness of business operations and improved the business efficiency.

## **(3) Basic Policies for the Control of the Company**

Not applicable.

## **(4) 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, the interim dividend of ¥6.00 per Share was paid out in accordance with the resolution at the Board meeting held on 21 November 2018. At the Board meeting held on 23 May 2019, it was resolved to pay ¥6.00 per Share as final dividend.

DYNAM JAPAN HOLDINGS Co., Ltd.  
Non-consolidated financial statements

**BALANCE SHEET**  
(As of 31 March 2019)

(Millions of yen)

**(Assets)**

<b>Current assets</b>	32,702
Cash and deposits	11,378
Short-term loans receivable	18,700
Income taxes receivable	1,896
Advance payment	655
Other	72
<b>Non-current assets</b>	77,427
Property, plant and equipment	335
Buildings	132
Tools and equipment	3
Land	200
Intangible assets	4
Trademarks	4
Investments and other assets	77,087
Stocks of subsidiaries and affiliates	76,097
Long-term loans receivable	707
Others	283
<b>Total assets</b>	<b>110,130</b>

DYNAM JAPAN HOLDINGS Co., Ltd.  
Non-consolidated financial statements

(Millions of yen)

<b>(Liabilities)</b>	
<b>Current liabilities</b>	16,192
Accounts payable	75
Income taxes payables	15
Deposits received	15,921
Provision for Directors' bonuses	38
Other	142
	<hr/>
<b>Non-current liabilities</b>	28
Long-term accounts payable	20
Deferred tax liabilities	8
	<hr/>
<b>Total liabilities</b>	16,221
	<hr/>
<b>(Net assets)</b>	
Shareholders' equity	93,908
Capital stock	15,000
Capital surplus	58,091
Legal capital surplus	12,909
Other capital surplus	45,182
Retained earnings	20,817
Other retained earnings	20,817
Retained earnings brought forward	20,817
	<hr/>
<b>Total net assets</b>	93,908
	<hr/>
<b>Total liabilities and net assets</b>	110,130
	<hr/> <hr/>

DYNAM JAPAN HOLDINGS Co., Ltd.  
Non-consolidated financial statements

**STATEMENT OF PROFIT OR LOSS**  
(From 1 April 2018 to 31 March 2019)

(Millions of yen)

Net sales		<u>9,991</u>
Gross profit		9,991
Selling, general and administrative expenses		<u>1,375</u>
Operating income		<u>8,616</u>
Non-operating income		
Interest income	161	
Foreign exchange gains	190	
Others	<u>30</u>	<u>381</u>
Ordinary income		<u>8,997</u>
Extraordinary Loss		
Loss from sales of property, plant and equipment	<u>93</u>	<u>93</u>
Income before income taxes		8,904
Income taxes — current	12	
Income taxes — deferred	<u>2</u>	<u>15</u>
Net income		<u><u>8,889</u></u>

DYNAM JAPAN HOLDINGS Co., Ltd.  
Non-consolidated financial statements

**STATEMENT OF CHANGES IN NET ASSETS**  
(From 1 April 2018 to 31 March 2019)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	-Other retained earnings -Retained earnings brought forward	Total retained earnings
Balance as of 1 April 2018	15,000	12,909	45,182	58,091	21,120	21,120
Changes during the current fiscal year						
2018 dividend	-	-	-	-	(9,191)	(9,191)
Profit for the year	-	-	-	-	8,889	8,889
Total changes during the current fiscal Year	-	-	-	-	(302)	(302)
Balance as of 31 March 2019	15,000	12,909	45,182	58,091	20,817	20,817

	Shareholders' equity	Total net assets
	Total shareholders' equity	
Balance as of 1 April 2018	94,211	94,211
Changes during the current fiscal year		
2018 dividend	(9,191)	(9,191)
Profit for the year	8,889	8,889
Total changes during the current fiscal year	(302)	(302)
Balance as of 31 March 2019	93,908	93,908

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1) Valuation method of significant assets

##### *Valuation method of securities*

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

##### *Available-for-sale securities:*

Securities with market value: Securities with market value are stated at the quoted market prices prevailing at the end of the fiscal year. Differences between market value and acquisition costs are reported as "Unrealized losses on available-for-sale securities" a separate component of net assets. The cost of securities sold is determined using the moving average basis.

Securities without market value: Securities without market value are stated at cost less impairment, determined using the moving average basis.

#### 2) Depreciation method of depreciable assets

Property, plant, and equipment: Depreciation of property, plant and equipment is calculated on the declining-balance method, while the straight-line method is applied to buildings (excluding leasehold improvements) and leasehold improvements acquired after April 1, 2016.

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

#### 3) Recognition and measurement of significant provisions and allowances

##### *Provision for Directors' bonuses*

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

#### 4) Translations of foreign currency receivables and payables

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

#### 5) Other significant accounting policies for financial statements

##### *Cash Management System (CMS)*

As a result of utilization of Cash Management System (CMS) for the purpose of promoting efficient use of the Group funds, the Company has "short-term loans receivable" of ¥18,700 million due from the Group companies and "deposits received" of ¥15,914 million due to the Group companies.

### ***Accounting for consumption tax***

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

## **2. Changes in method of presentation**

### **1) Implementation of Partial Amendments to Accounting Standard for Tax Effect Accounting**

The Company has implemented the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, 16 February, 2018) from the beginning of the year ended 31 March 2019.

Deferred tax assets and deferred tax liabilities are presented in the investments and other assets and non-current liabilities, respectively.

### **2) Balance sheet**

In the year ended 31 March 2018, the prepaid expenses and accrued income were presented separately in the current assets in the balance sheet, however, they are included in the other current assets in the balance sheet since the year ended 31 March 2019 due to less materiality.

In the year ended 31 March 2018, the consumption taxes payables and accrued expenses were presented separately in the current liabilities in the balance sheet, however, they are included in the other current liabilities in the balance sheet since the year ended 31 March 2019 due to less materiality.

## **3. NOTES TO BALANCE SHEET**

### **1) Accumulated depreciation**

Property, plant, and equipment	(Millions of yen)
	80

### **2) Assets due from and liabilities due to subsidiaries and affiliates**

	(Millions of yen)
Short-term receivables	18,766
Long-term receivables	707
Short-term payables	15,947

## **4. NOTES TO STATEMENT OF PROFIT OR LOSS**

### **1) Transactions with subsidiaries and affiliates**

	(Millions of yen)
Business transactions	
Net sales	9,991
Selling, general and administrative expenses	102
Other transactions	177

## **5. NOTES TO STATEMENT OF CHANGES IN NET ASSETS**

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

Ordinary Shares	765,985,896 Shares
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2) Dividend from surplus during the fiscal year

Resolution	Class of Share	Dividend amount (Millions of yen)	Dividend amount per Share	Record date	Effective date
Board of Directors' meeting on 23 May 2018	Ordinary Share	4,596	6.00	4 June 2018	22 June 2018
Board of Directors' meeting on 21 November 2018	Ordinary Share	4,596	6.00	10 December 2018	11 January 2019

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)	Fund of Dividend	Dividend amount per Share	Record date	Effective date
Board of Directors' meeting on 23 May 2019	Ordinary Share	4,596	Retained earnings	6.00	3 June 2019	21 June 2019

The amount of proposed final dividend for the year ended 31 March 2019 is based on 765,985,896 shares in issue as at 23 May 2019 when the financial statements was approved by the Board of directors.

If the Company owns any treasury shares as at 3 June 2019, the dividend record date, the amount of proposed final dividend represents the number of shares in issue, which exclude the number of treasury shares owned by the Company as of the date, multiplied by the amount of dividend per share.

## 6. NOTES TO INCOME TAXES

1) Deferred tax assets

	(Millions of yen)
Deferred tax assets	
Stocks of subsidiaries and affiliates	2,465
Unused tax loss	665
Others	60
	<hr/>
Subtotal	3,191
Valuation allowance	(3,191)
	<hr/>
Total	-

2) Deferred tax liabilities

	(Millions of yen)
Deferred tax liabilities	
Foreign exchange gains	8
	<hr/>
Total	8

## 7. Financial Instruments

1) Information on financial instruments

(1) Policy for financial instruments

The Company invests temporary surplus cash in safe financial instruments which carry little risk such as bank deposits and raises funds necessary for its operations through the most effective measures. In addition, the

Company has policies to utilize derivatives only for hedging purposes and does not conduct any speculative transactions.

## **(2) Financial instruments, related risks and risk management**

The loans receivable are due from subsidiaries and are exposed to credit risk in relation to relevant subsidiaries.

In accordance with credit management policies, the Company monitors the maturity date, the balance and the collection of loans receivable for each subsidiary to recognize early and minimize the uncertainty of collection arising from any degradation of the subsidiaries' financial status.

The Company's maturity date generally range from 2 to 3 months for accounts payables, income taxes payables and deposits received.

## **2) Matters related to Fair Values, etc. of Financial Instruments**

The carrying amount, fair value of the financial instruments and their differences as of March31, 2019 are stated in the following table. Financial instruments whose fair values are deemed to be extremely difficult to assess, are not included in the table below (see Note 2).

	(Millions of yen)		
	Carrying amount	Fair value	Differences
<b>Financial assets</b>			
(1) Cash and deposits	11,378	11,378	—
(2) Short-term loans receivable	18,700	18,700	—
(3) Income taxes receivable	1,896	1,896	—
<b>Total</b>	<b>31,974</b>	<b>31,974</b>	<b>—</b>
<b>Financial liabilities</b>			
(1) Accounts payables	75	75	—
(2) Income taxes payables	15	15	—
(3) Deposits received	15,921	15,921	—
<b>Total</b>	<b>16,011</b>	<b>16,011</b>	<b>—</b>

### **(Note 1) Methods of calculating fair values of financial instruments**

#### **Assets**

(1) Cash and deposits (2) Short-term loans receivable (3) Income taxes receivable

They are based on the relevant book values, as they are quickly settled and their fair values are close to their book values.

#### **Liabilities**

(1) Accounts payables (2) Income taxes payables (3) Deposits received

They are based on the relevant book values, as they are quickly settled and their fair values are close to their book values.

### **(Note 2) Financial instruments whose fair values are deemed to be extremely difficult to assess**

	(Millions of yen)
	Carrying amount
Stocks of subsidiaries and affiliates	76,097
<b>Total</b>	<b>76,097</b>

These financial instruments are not subject to the disclosure of fair values, as there is no market value available for these instruments and their fair values are deemed to be extremely difficult to assess

## 8. NOTES TO RELATED PARTY TRANSACTIONS

Transactions with subsidiaries

(Millions of yen)

Type	Company Name	Ownership	Relationship		Transaction	Amounts	Account name	Balance
			Interlocking directors	Business relationship				
Subsidiaries	DYNAM Co., Ltd.	Directly held 100%	Present	Business Management	Funds in trust (Note 2)	—	Deposits received	12,753
					Interest Expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	618	—	—
					Dividend income	9,115	—	—
					Guarantee of liabilities (Note 4)	(5,300)	Guarantee obligation	—
	DYNAM Business Support Co., Ltd.	Directly held 100%	—	Business Management	Repayment of funds (Note 1)	500	Short-term loans receivable	13,200
					Income interest (Note 1)	99	Accrued income	2
					Funds in trust (Note 2)	—	Deposits received	472
					Interest Expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	12	—	—
					Dividend income	108	—	—
	Cabin Plaza Co., Ltd.	Directly held 100%	—	Business Management	Funds in trust (Note 2)	—	Deposits received	1,902
					Interest Expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	12	—	—
	Nihon Humap Co., Ltd.	Directly held 100%	—	Business Management	Repayment of funds (Note 1)	300	Short-term loans receivable	400
					Income interest (Note 1)	5	Accrued income	0
					Funds in trust (Note 2)	—	Deposits received	210
					Interest Expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	14	—	—
					Dividend income	63	—	—
	Dynam HongKong Co., Limited	Directly held 100%	Present	Business Management	Repayment of funds (Note 1)	1,324	Long-term loans receivable	707
					Income interest (Note 1)	14	Accrued income	0
	Yume Corporation Co., Ltd.,	Directly held 100%	—	Business Management	Repayment of funds (Note 1)	500	Short-term loans receivable	5,000
					Income interest (Note 1)	37	Accrued income	0
					Funds in trust (Note 2)	—	Deposits received	201
					Interest Expense (Note 2)	0	—	—
					Management consulting fee (Note 3)	48	—	—

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

1. An interest rate on lending of funds is reasonably determined at the Board of Directors' meeting in consideration of the market interest rate.
2. The transaction amount of funds in trust is omitted since it is a short-term and recursive transaction. An interest rate thereon is reasonably determined at the Board of Directors' meeting in consideration of the market interest rate.
3. Management consulting fees are determined at the Board of Directors' meeting based on the objective standard in consideration of basic management indicators and financial capacity of subsidiaries.
4. The Company served as a guarantor for bank borrowing of DYNAM Co., Ltd. Dynam Co., Ltd. has fully repaid borrowings by early repayment during the current fiscal year.

#### **9. NOTES TO PER SHARE INFORMATION**

	(Yen)
Net assets per Share	122.60
Net income per Share	11.61

#### **10. NOTES TO SIGNIFICANT SUBSEQUENT EVENTS**

Not applicable

**CERTIFIED COPY OF THE ACCOUNTING AUDITOR' REPORT**

(Translation\*)

**INDEPENDENT AUDITOR'S REPORT**

23 May 2019

To the Board of Directors of  
DYNAM JAPAN HOLDINGS Co., Ltd.:

**PricewaterhouseCoopers Aarata LLC**

Yoshihisa Chiyoda, CPA  
Designated limited liability Partner  
Engagement Partner  
Naoyuki Suzuki, CPA  
Designated limited liability Partner  
Engagement Partner

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, statement of income, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of DYNAM JAPAN HOLDINGS CO., LTD. (hereinafter referred to as the "Company") for the 8th fiscal year from 1 April 2018 to 31 March 2019.

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

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

**Auditor's Responsibility**

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

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

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the financial statements and the supplementary schedules.

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

## **Opinion**

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

## **Conflict of Interest**

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

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

## **CERTIFIED COPY OF THE AUDIT COMMITTEE'S REPORT**

(Translation)

### **AUDIT REPORT**

The Audit Committee has conducted audits of the Directors and Executive Officers of the Company with regard to their performance of duties during the 8th fiscal year (1 April 2018 to 31 March 2019). A report covering the findings of the audit follows.

#### **1. Method and Contents of Audit**

The Company's Audit Committee monitored and examined the content of resolutions of the Board of Directors related to matters set forth in Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act, as well as the structure and operational status of the Company's internal control system as set forth in the aforementioned resolutions. To this end, the Audit Committee received yearly reports from Directors, Executive Officers and employees regarding the content of the above resolutions, and where necessary, sought explanations and voiced opinions on these matters. Moreover, in accordance with its established policies and procedures and in collaboration with the divisions in charge of internal control, the Audit Committee attended important meetings, received reports on business activities from Directors and Executive Officers, sought explanations where necessary, and conducted appropriate surveys of the status of business operations and assets of the Company. 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" (published by the 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 and the accompanying supplementary schedules, the Financial Statements (balance sheet, statement of profit or loss, statement of changes in net assets, and notes to financial statements) and the accompanying supplementary schedules for the fiscal year under review.

#### **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 Directors' 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 Auditor, PricewaterhouseCoopers Aarata LLC, are appropriate.

23 May 2019

Audit Committee of  
DYNAM JAPAN HOLDINGS Co., Ltd.

Chairman of Audit Committee  
Member of Audit Committee  
Member of Audit Committee

Ichiro Takano (Seal)  
Thomas Chun Kee Yip (Seal)  
Kiyohito Kanda (Seal)

(Note) Members of Audit Committee, Messrs. Ichiro Takano, Thomas Chun Kee Yip and Kiyohito Kanda are Outside Directors as prescribed under Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(As of 31 March 2019)

(Millions of yen)

Item	Amount
<b>(Assets)</b>	
<b>Non-current assets</b>	
Property, plant and equipment	95,445
Investment properties	1,351
Intangible assets	3,112
Financial assets measured at fair value through other comprehensive income	3,774
Deferred tax assets	10,615
Other non-current assets	11,160
	<hr/>
<b>Total non-current assets</b>	125,457
<b>Current assets</b>	
Inventories	1,949
Trade receivables	614
Prizes in operation of pachinko halls	3,791
Other current assets	5,984
Cash and cash equivalents	47,537
	<hr/>
<b>Total current assets</b>	59,875
	<hr/>
<b>Total assets</b>	185,332
	<hr/> <hr/>

(Reference Materials)  
DYNAM JAPAN HOLDINGS Co., Ltd.  
Non-audited consolidated financial statements (IFRS)

(Millions of yen)

Item	Amount
(Liabilities)	
<b>Current liabilities</b>	
Trade and other payables	19,297
Borrowings	2,124
Finance lease payables	227
Provisions	2,013
Income taxes payables	4,310
Other current liabilities	<u>8,481</u>
<b>Total current liabilities</b>	<u>36,452</u>
<b>Non-current liabilities</b>	
Deferred tax liabilities	8
Borrowings	502
Finance lease payables	353
Other non-current liabilities	687
Provisions	<u>5,530</u>
<b>Total non-current liabilities</b>	<u>7,080</u>
<b>Total liabilities</b>	<u>43,532</u>
<b>(Equity)</b>	
Share capital	15,000
Capital reserve	12,741
Retained earnings	115,204
Other component of equity	<u>(1,124)</u>
Equity attributable to owners of the Company	141,821
Non-controlling interests	<u>(21)</u>
<b>Total equity</b>	<u>141,800</u>
<b>Total liabilities and equity</b>	<u><u>185,332</u></u>

(Reference Materials)  
DYNAM JAPAN HOLDINGS Co., Ltd.  
Non-audited consolidated financial statements (IFRS)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

(From 1 April 2018 to 31 March 2019)

	(Millions of yen)
<b>Item</b>	<b>Amount</b>
Revenue	146,371
Hall operating expenses	(128,024)
General and administrative expenses	(5,023)
Other income	8,971
Other operating expenses	(2,953)
<b>Operating profit</b>	<b>19,342</b>
Finance income	471
Finance expenses	(444)
<b>Profit before income tax</b>	<b>19,369</b>
Income taxes	(6,778)
<b>Net profit for the year</b>	<b><u>12,591</u></b>
Net profit attributable to:	
Owners of the Company	12,596
Non-controlling interests	(5)
<b>Net profit</b>	<b><u>12,591</u></b>

(Reference Materials)  
DYNAM JAPAN HOLDINGS Co., Ltd.  
Non-audited consolidated financial statements (IFRS)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From 1 April 2018 to 31 March 2019)

(Millions of yen)

Item	Attributable to equity holders of the Company				
	Share Capital	Capital reserve	Retained earnings	Other component of equity	
				Fair value of financial assets at FRVTOCI	Foreign currency translation reserve
At 1 April 2018	15,000	12,741	114,106	(5,080)	750
Profit for the year	-	-	12,596	-	-
Other comprehensive income for the year	-	-	-	240	645
Transfer to retained earnings	-	-	(2,306)	2,316	-
Total comprehensive income for the year	-	-	10,290	2,556	645
2019 dividend	-	-	(9,192)	-	-
Total changes in equity for the year	-	-	1,098	2,556	645
At 31 March 2019	15,000	12,741	115,204	(2,524)	1,395

Item	Attributable to equity holders of the Company			Non-controlling interest	Total equity
	Other component of equity		Total		
	Other reserves	Total			
At 1 April 2018	15	(4,315)	137,532	(17)	137,515
Profit for the year	-	-	12,596	(5)	12,591
Other comprehensive income for the year	-	885	885	1	886
Transfer to retained earnings	(10)	2,306	-	-	-
Total comprehensive income for the year	(10)	3,191	13,481	(4)	13,477
2019 dividend	-	-	(9,192)	-	(9,192)
Total changes in equity for the year	(10)	3,191	4,289	(4)	4,285
At 31 March 2019	5	(1,124)	141,821	(21)	141,800

## Other Matters

### 1) SCOPE OF CONSOLIDATION

Number of Consolidated Subsidiaries	18
Name of Main Consolidated Subsidiaries	DYNAM Co., LTD., CABIN PLAZA Co., Ltd., Yume Corporation Co., Ltd., DYNAM BUSINESS SUPPORT Co., Ltd., Nihon Humap Co., Ltd. and DYNAM Hong Kong Co., Ltd.

### 2) SUMMARY OF ACCOUNTING POLICIES

#### (1) Basis of preparation of the consolidated financial statements

The Company presents the accompanying International Financial Reporting Standards ("IFRS") based consolidated financial statements for reference only, and this information does not comprise any contents of statutory disclosure under Companies Act of Japan.

The accompanying consolidated financial statements comprise consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of changes in equity for the fiscal year ended March 31, 2019 which are prepared in accordance with IFRS, and are not complete set of consolidated financial statements.

In addition, neither external audit nor review by independent auditors has been conducted.

The accompanying consolidated financial statements are stated in the Company's functional currency, Japanese Yen, and unless otherwise stated, all financial information presented in million yen.

#### (2) Adoption of new and revised international financial reporting standards

The following new standards and amendments have been issued and effective for annual periods beginning on 1 April 2018 with no impact on the Group's results of operations and financial position:

- IAS40 (Amendment), 'Investment Property'
- IFRS15, 'Revenue from Contracts with Customers'
- IFRIC22, 'Foreign Currency Transactions and Advance Consideration'

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers.

IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

The Group has elected to use the cumulative effect transition method.

The contract liabilities consist of unutilised balls and token included in other current liabilities, which was ¥6,224 million as at 1 April 2018.

The Group elected to adopt IFRS 9 Financial Instruments from fiscal year ended 31 March 2016.

## APPENDIX II

### REFERENCE MATERIALS FOR THE 8TH 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 laws 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” for the first resolution 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: General Mandate to Repurchase Shares (Ordinary Resolution)

“**THAT:** subject to and in accordance with all applicable laws and ordinances in Japan and Hong Kong and the requirements of the Listing Rules, a general unconditional mandate be and is hereby given to the Board authorizing it to exercise all powers during the Relevant Period (as defined below) for and on behalf of the Company to repurchase Shares on the Stock Exchange. However, the aggregate number of the Shares that could be repurchased by the Company pursuant to the aforementioned mandate shall not exceed 10% of the aggregate number of Shares issued by the Company as at the date of passing of this resolution.

Please note that the aforementioned mandate shall be effective only during the Relevant Period (as defined below).

“Relevant Period” for the second resolution means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company unless the authority is renewed either unconditionally or subject to conditions by the passing of the ordinary resolution at the said meeting; or
- (ii) the passing of the ordinary resolution revoking, varying or renewing such mandate at a general meeting.”

Notes

- (1) Please refer to the attached document entitled “Explanatory Statement” in APPENDIX III for the summary of important provisions of the Listing Rules with respect to the repurchase of Shares.
- (2) The original of the attached document entitled “Explanatory Statement” in APPENDIX III was made in English and the enclosed Japanese version is just a translation thereof. In case of any discrepancies between the English original version and the Japanese translation, the English original version shall prevail.

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

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

The details of Director candidates are as follows. Director candidates Messrs. Ichiro TAKANO, Noriaki USHIJIMA, Mitsutoshi KATO, Thomas Chun Kee YIP, Kei MURAYAMA and Kiyohito KANDA are the candidates for Outside Directors under Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Shares Beneficially Owned
1	Kohei SATO (26 November 1954)	<p>March 1983      Joined Advantest Corporation</p> <p>June 1985      Joined Kodak Co., Ltd.</p> <p>June 1995      Joined DYNAM Co., Ltd.</p> <p>June 1998      Director, Corporate Planning Office of DYNAM Co., Ltd.</p> <p>April 1999      Director, Sales Department of DYNAM Co., Ltd.</p> <p>June 2000      President and Representative Director of DYNAM Co., Ltd.</p> <p>January 2013    CEO of the Company</p> <p>June 2014      Executive Director and CEO of the Company</p> <p>June 2015      Chairman of the Board of DYNAM Co., Ltd. (present)</p> <p>June 2015      Director and CEO of Dynam Hong Kong Co., Limited (present)</p> <p>June 2015      Executive Director, Chairman of the Board, CEO and President of the Company (present)</p>	55,139,680
2	Yoji SATO (24 September 1945)	<p>January 1970    Joined Sawa Shoji Co., Ltd. (now called DYNAM Co., Ltd.)</p> <p>September 1978   President and Representative Director of Sawa Shoji Co., Ltd.</p> <p>June 2000      Chairman and Representative Director of DYNAM Co., Ltd.</p> <p>April 2003      President and Representative Director of Dynam Investment Co., Ltd.</p> <p>March 2007      Representative Director and CEO of DYNAM Holdings Co., Ltd.</p> <p>December 2009   Representative Chairman of One Asia Foundation (present)</p> <p>September 2011   Executive Director and CEO of the Company</p> <p>January 2013    Director of Dynam Hong Kong Co., Limited (present)</p> <p>June 2013      Executive Director and Chairman of the Board of the Company (present)</p> <p>June 2015      Executive Director and Senior Corporate Advisor of the Company</p> <p>June 2016      Non-executive Director and Senior Corporate Advisor of the Company (present)</p>	0

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Shares Beneficially Owned
3	Tatsuji FUJIMOTO (14 February 1961)	<p>January 1986 December 2001 March 2009 March 2012 June 2015</p> <p>March 2016 June 2016 January 2017 June 2017 June 2017</p> <p>Joined The Daiei, Inc. Joined DYNAM Co., Ltd. Head of Purchasing Department. of DYNAM Co., Ltd. Head of Logistics Department of DYNAM Co., Ltd. Corporate Executive Officer and Head of Logistics Department of DYNAM Co., Ltd. Corporate Executive Officer and Head of Purchasing Department of DYNAM Co., Ltd. Director and Head of Purchasing Department of DYNAM Co., Ltd. Director and Head of Information Control Department of DYNAM Co., Ltd. President and representative Director of DYNAM Co., Ltd. (present) Non-executive Director of the Company (present)</p>	209,300
4	Ichiro TAKANO (8 May 1956)	<p>April 1987 April 1992 June 2005 October 2006 March 2007 July 2008 September 2011 June 2017</p> <p>Registered as Attorney-at-Law Joined Tokyo Eiwa Law Offices Outside Company Auditor of HIKARI TSUSHIN, INC. Outside Company 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) Outside Director and Audit Committee Member of HIKARI TSUSHIN, INC. (present)</p>	20,000
5	Noriaki USHIJIMA (12 May 1950)	<p>April 1973 June 2004</p> <p>July 2006 March 2008 September 2011</p> <p>Joined Tokyo Stock Exchange, Inc. Director and Corporate Executive Officer of Jasdaq Securities Exchange, Inc. Advisor of Jasdaq System Solution, Inc. Director of DYNAM Holdings Co., Ltd. Non-executive Director of the Company (present)</p>	414,000
6	Mitsutoshi KATO (20 March 1958)	<p>April 1982 April 1988 March 1990</p> <p>April 1991 January 2005 December 2006 February 2012 February 2012</p> <p>Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.) Seconded to Kincheng-Tokyo Finance Company Limited Joined Banque Indosuez (currently Credit Agricole Corporate and Investment Bank) Vice President of Banque Indosuez, Tokyo Branch Statutory Auditor of ECO-MATERIAL CORPORATION Director and CFO of ECO-MATERIAL CORPORATION Representative Director and CFO of ECO-MATERIAL CORPORATION (present) Independent Non-executive Director of the Company (present)</p>	0
7	Thomas Chun Kee YIP (22 March 1961)	<p>May 1984 January 1986 December 1988 July 1994 January 2002 October 2003 March 2008 February 2012</p> <p>Joined Touche Ross &amp; Co. Hong Kong Joined Price Waterhouse, Sydney Office Price Waterhouse, Hong Kong Office Senior Audit Manager of Price Waterhouse Joined CCIF CPA Limited Practicing Director of CCIF CPA Ltd Joined AIP Partners C.P.A. Limited, Practicing Director (present) Independent Non-executive Director of the Company (present)</p>	0
8	Kei MURAYAMA (13 July 1954)	<p>April 1978 March 1986 March 1996</p> <p>March 2007 March 2009 March 2015 June 2015</p> <p>Joined SWANY Corporation Joined Lawson Japan, Inc.(now called Lawson, Inc.)(TSE:2651) Senior Manager for Labor Administration, Tokyo Head Office of Lawson, Inc. General Manager, Personnel and Training Division of Lawson, Inc. Corporate Executive Officer of Lawson, Inc. Executive Adviser for Personnel Matters of Lawson, Inc. (present) Independent Non-executive Director of the Company (present)</p>	0
9	Kiyohito KANDA (7 October 1964)	<p>October 1991 December 1993 July 1995 May 1998 April 2011</p> <p>June 2017 April 2019</p> <p>Joined Yamaichi Securities Company, Limited Registered as Tax Accountant Established Kanda Kiyohito Tax Accountant Office (present) Instructor, Training Center of the Board of Audit of Japan (present) Part-time teacher, Faculty of Business Administration, Meiji University Independent Non-executive Director of the Company (present) Teacher, Local Autonomy College (present)</p>	0

(Notes)

1. Save as the interest disclosed above, each candidate has no special interest in the Company.
2. 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 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.

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

- (1) Mr. Ichiro Takano is an attorney-at-law and currently serving as an outside auditor of another company 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 seven (7) years and nine (9) months as of the conclusion of this Meeting.
- (2) Mr. Noriaki Ushijima has a wealth of experience in business and management and extensive knowledge and experience in the area of company management. He has been nominated as candidate for Outside Director, as he is expected to draw on his insight developed through his career, in performing his role to supervise and check the management practice. He is currently serving as Outside Director of the Company and will have served in that capacity for seven (7) years and nine (9) months as of the conclusion of this Meeting.
- (3) Mr. Mitsutoshi Kato has a wealth of experience in company management and extensive knowledge and sophisticated insight in the area of management. He has been nominated as candidate for Outside Director, as he is expected to perform his duty to supervise and check the management practice, based on his knowledge, experience and insight as corporate executive, developed through his career. He is currently serving as Outside Director of the Company and will have served in that capacity for seven (7) years and three (3) months as of the conclusion of this Meeting.
- (4) Mr. Thomas Chun Kee Yip, a Hong Kong Certified Public Accountant, is currently working as tax advisor in Hong Kong. He has been nominated as candidate for Outside Director, as he is expected to perform his role to supervise and check the management practice, based on his knowledge and experience developed through his career as tax and accounting expert. He is currently serving as Outside Director of the Company and will have served in that capacity for seven (7) years and three (3) months as of the conclusion of this Meeting.
- (5) Mr. Kei Murayama has a wealth of experience and knowledge in the convenience store industry and extensive knowledge and deep insight on chain store operation. He has been nominated as candidate for Outside Director, as he is expected to perform his role to supervise and check the management practice, based on his knowledge and experience developed through his career. He is currently serving as Outside Director of the Company and will have served in that capacity for four (4) years as of the conclusion of this Meeting.
- (6) Mr. Kiyohito Kanda is a tax accountant and has been engaged in providing tax, finance and other related advice to corporations for long years. 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 as of the conclusion of this Meeting.

3. Contracts for limitation of liability with Outside Directors

Not applicable.

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

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

Details of a candidate are as follows:

(As of 31 March 2019)

Name	PricewaterhouseCoopers Aarata LLC	
Principal Office	1-1-1 Otemachi, Chiyoda-ku, Tokyo, Japan	
History	June 2006:	Establishment of PwC Aarata
	July 2006:	Commencement of operations
	July 2015:	Changed the corporate name in Japanese from "Aarata Kansa Hojin" to "PwC Aarata Kansa Hojin"
	July 2016:	Converted to a limited liability audit corporation and changed the corporate name to "PwC Aarata Yugen Sekinin Kansa Hojin (PwC あらた有限責任監査法人)" (English name: PricewaterhouseCoopers Aarata LLC)
Capital	1,000 million yen	
Staffing	Partners	149
	Certified Public Accountants ("CPAs")	917
	Assistant CPAs	604
	US CPAs and other professionals	968
	Clerks	610
	Total	3,248

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

#### 5. RECOMMENDATION

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

## APPENDIX III

### EXPLANATORY STATEMENT

This is an explanatory statement given to all the shareholders (the “Shareholders”) of DYNAM JAPAN HOLDINGS Co., Ltd. (the “Company”) relating to a proposed ordinary resolution to grant to the directors of the Company (the “Directors”) a general mandate (the “Repurchase Mandate”) to repurchase the shares of the Company (the “Shares”) to be passed by the Shareholders at the 8th annual general meeting of the Company (the “AGM”) to be held on 20 June 2019.

This explanatory statement contains the information required to be given to all the Shareholders pursuant to Rule 10.06(1)(b) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) concerning the repurchase by the Company of its own Shares.

- (1) All repurchases of Shares by the Company must be approved in advance by an ordinary resolution of the general meeting of the Company either by way of a general mandate or by a specific approval to the Directors.
- (2) On the date of this document, 765,985,896 ordinary Shares are in issue and fully paid. Assuming there will be no changes from the date of this document to the date of the AGM in number of the Company's issued and fully paid Shares and subject to the passing of the said proposed ordinary resolution, exercise in full of the Repurchase Mandate would result in up to 76,598,589 ordinary Shares being repurchased by the Company during the period up to the earliest of: (i) the conclusion of the next annual general meeting of the Company; and (ii) the revocation or variation or renewal of the Repurchase Mandate by an ordinary resolution of the Shareholders in a general meeting of the Company.

Under the Listing Rules, Shares proposed to be repurchased by the Company must be fully paid up. The total number of Shares which the Company is authorized to repurchase shall not exceed ten percent (10%) of the total number of Shares issued by the Company as at the date of the AGM. The Company may not issue or announce an issue of new Shares for a period of 30 days immediately following a repurchase of Shares, whether on the Stock Exchange or otherwise (other than an issue of Shares pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue Shares which were outstanding prior to such repurchase), without the prior approval of the Stock Exchange. In addition, the Company shall not repurchase the Shares if the purchase price is higher by five percent (5%) or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange. The Listing Rules also prohibit the Company from making repurchases of its own Shares on the Stock Exchange if the repurchase would result in the number of the Shares which are in the hands of the public falling below the relevant prescribed minimum percentage for the Company (as determined by the Stock Exchange at the time of the listing of the Shares), which is currently 20.9%, subject to the exercise of discretion by the Stock Exchange under Rule 8.08(1)(b) of the Listing Rules.

The Listing Rules further prohibit the Company from purchasing its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

The Company shall procure that any broker appointed by it to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

- (3) The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share. If the Directors believe that the Shares have been trading at a level which significantly undervalues the Company's underlying value, the grant of the Repurchase Mandate will authorize the Directors to exercise the Repurchase Mandate whenever necessary. Since the Directors are committed to actively managing the Company's capital, the Directors believe that the exercise of the Repurchase Mandate (whenever necessary) would create capital management benefits to the Shareholders. The Directors also believe that the Company's strong financial position will enable it to conduct the exercise of the Repurchase Mandate with its own resources while maintaining sufficient financial resources for the continued growth of the Company's operations.
- (4) In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the articles of incorporation of the Company (the "Articles") and the applicable laws of Japan. Repurchases will be made out of funds of the Company legally permitted to be utilized in this connection.
- (5) The Directors, in their opinion, may from time to time when they consider to be appropriate for the Company, not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Company, which in the opinion of the Directors, are from time to time appropriate for the Company. However, there might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements of the Company for the year ended 31 March 2019 contained in the published annual report of the Company) in the event that the Repurchase Mandate is exercised in full.
- (6) None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

- (7) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Japan and the Articles.
- (8) If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission (the "Takeovers Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares.

As of the date of this document, to the best knowledge and belief of the Company, in the event that the Directors shall exercise in full the Repurchase Mandate, the total interests of the persons as recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) would be increased, however, such increase will not give rise to an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code and will not reduce the number of Shares held by the public to less than 20.9%.

Save as aforesaid, the Directors are not aware of any other consequences which may arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate.

- (9) No repurchase of Shares has been made by the Company in the previous six months.
- (10) The Listing Rules prohibit the Company from knowingly repurchasing its Shares on the Stock Exchange from a core connected person (as defined under the Listing Rules), that is, a director, chief executive or substantial Shareholder of the Company or any of its subsidiaries or their respective close associates (as defined in the Listing Rules), and a core connected person (as defined under the Listing Rules) shall not knowingly sell Shares to the Company on the Stock Exchange.

No core connected person (as defined in the Listing Rules) of the Company has notified the Company that he or she or it has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

- (11) The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months were as follows:

	Price per Share (HK\$)	
	Highest	Lowest
<b>2018</b>		
May	10.86	10.20
June	11.52	10.04
July	11.16	10.06
August	10.68	10.00
September	10.18	9.28
October	10.60	9.14
November	10.34	9.25
December	10.26	9.16
<b>2019</b>		
January	9.86	9.20
February	10.70	9.75
March	10.80	9.90
April	10.48	9.96
May (up to 23 May 2019 <sup>#</sup> )	10.78	10.00

<sup>#</sup> Being the latest practicable date prior to the printing of this convocation notice

## General

The Listing Rules provide that the listing of all repurchased Shares (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon repurchase and the certificates of such repurchased Shares must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. Under the Articles, the Company shall without delay cancel any treasury Shares acquired by the Company through the resolution of the Board or decision of executive officer(s) of the Company authorized by the Board, if such cancellation is required under the Listing Rules. Hence, in compliance with Rule 10.06(5) of the Listing Rules, the listing of all repurchased Shares (whether effected on the Stock Exchange or otherwise) will be cancelled without undue delay and the certificates for those securities will be cancelled and destroyed. The issued share capital of the Company shall also be reduced accordingly.

The Listing Rules provide that the Company shall not purchase its Shares on the Stock Exchange at any time while in possession of inside information until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for an announcement of the Company's annual or interim results under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the Company may not purchase its Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit the Company to purchase its Shares on the Stock Exchange if it has breached the Listing Rules.

Under the Listing Rules, certain information on the repurchases of Shares (whether on the Stock Exchange or otherwise) must be submitted for publication on the Stock Exchange through HKEx-EPS (as defined in the Listing Rules) not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the Company makes a repurchase of Shares. In addition, the Company shall include in its annual report and accounts details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per Share or the highest and lowest price paid by the Company for all such repurchases (where relevant) and the aggregate price paid by the Company for such repurchases. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

## APPENDIX IV

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

#### **ELECTION OF DIRECTORS**

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

Mr. Kohei SATO  
Mr. Yoji SATO  
Mr. Tatsuji FUJIMOTO  
Mr. Ichiro TAKANO  
Mr. Noriaki USHIJIMA  
Mr. Mitsutoshi KATO  
Mr. Thomas Chun Kee YIP  
Mr. Kei MURAYAMA  
Mr. Kiyohito KANDA

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

#### **Length of service**

The Candidates, if elected as Directors at the Meeting, will hold office with immediate effect until the close of the next annual general meeting of the Shareholders to be held in 2020. 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:

Mr. Kohei SATO	¥42,000,000
Mr. Yoji SATO	¥6,300,000
Mr. Tatsuji FUJIMOTO	¥29,724,000
Mr. Ichiro TAKANO	¥7,200,000
Mr. Noriaki USHIJIMA	¥6,000,000
Mr. Mitsutoshi KATO	¥8,400,000
Mr. Thomas Chun Kee YIP	¥6,000,000
Mr. Kei MURAYAMA	¥6,000,000
Mr. Kiyohito KANDA	¥6,000,000

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

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

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

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

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

#### *(i) Interests in the Company*

<b>Name of Candidate</b>	<b>Nature of Interest</b>	<b>Number of Shares of the Company<sup>(1)</sup></b>	<b>Approximate Percentage of Interest in the Company<sup>(2)</sup></b>
Mr. Yoji SATO	Interest in controlled corporation <sup>(3)</sup>	273,632,560	58.957%
	Interest in spouse <sup>(3)</sup>	760	
	Other <sup>(4)</sup>	177,971,800	
		<hr/> 451,605,120	
Mr. Kohei SATO	Beneficial Owner	55,139,680	58.957%
	Other <sup>(4)</sup>	396,465,440	
		<hr/> 451,605,120	
Mr. Tatsuji FUJIMOTO	Beneficial Owner	209,300	0.027%
Mr. Ichiro TAKANO	Beneficial Owner	20,000	0.003%
Mr. Noriaki USHIJIMA	Beneficial Owner	414,000	0.054%

Notes:

(1) All interests stated are long positions.

(2) There were 765,985,896 Shares in issue as at 31 March 2019.

(3) Out of the total 273,632,560 Shares, SATO AVIATION CAPITAL LIMITED (“SAC”), which is wholly owned and controlled by Mr. Yoji SATO, is beneficially interested in 177,822,560 Shares. Rich-O., Ltd. (“Rich-O”) is beneficially interested in remaining 95,810,000 Shares and is owned as to 79.45% by SAC, 4.82% by Mr. Yoji SATO and 15.73% by One Asia Foundation (Hong Kong) Co., Limited which is also wholly owned by Mr. Yoji SATO. Therefore, each of SAC and Rich-O is directly or indirectly controlled by Mr. Yoji SATO and the interests in the Company held by SAC and Rich-O are deemed to be Mr. Yoji SATO’s interests under the

SFO. Mrs. Keiko SATO, his wife, is beneficially interested in 760 Shares, and such interests are deemed to be Mr. Yoji SATO's interests under the SFO.

- (4) Each of Mrs. Keiko SATO (wife of Mr. Yoji SATO), Mrs. Yaeko NISHIWAKI (sister of Mr. Yoji SATO), Mr. Masahiro SATO (brother of Mr. Yoji SATO), Mr. Shigehiro SATO (brother of Mr. Yoji SATO), and Mr. Kohei SATO (brother of Mr. Yoji SATO) (collectively, the "Sato Family Members") is a party acting in concert with Mr. Yoji SATO, SAC and Rich-O and each other to obtain or consolidate the holding of 30% or more of the Company, and is therefore deemed to be interested in the Shares in which Mr. Yoji SATO or any other Sato Family Member is interested, and Mr. Yoji SATO is deemed to be interested in the Shares in which any Sato Family Member 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)**

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

**Independence requirements under Rule 3.13**

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

## APPENDIX V

### 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”

