



DYJH

CSR Report 2018



株式会社ダイナムジャパンホールディングス
DYNAM JAPAN HOLDINGS Co., Ltd.*

(incorporated in Japan with limited liability)

Stock Code: 06889

* For identification purpose only

A CENTURIAL COMMITMENT TO BUILDING TRUST AND ENCOURAGING DREAMS

A company cannot exist unless it consistently fulfills the responsibilities it has towards its employees, shareholders, financial institutions, business partners and other stakeholders, while at the same time supports and contributes to customers and local residents.

A company is expected to improve the daily lives of its stakeholders. It must also create a world in which all people are united in trust and able to live in peace.

This corporate philosophy represents the spirit in which people and organizations that are united in trust continuously strive to achieve sustainable growth by using their collective energy to achieve their dreams. The term, “centurial” that is used in our corporate philosophy refers to the long term.

The Group maintains a long-term commitment to building trust and encouraging dreams.



FIVE MANAGEMENT POLICIES



1

Principle of Customers First

The Group always adopts the principle of customers first, and acts accordingly.

2

Information Disclosure

The Group carries out transparent and fair management by appropriately disclosing information.

3

Chain Store Management

The Group is fully committed to achieving growth through its chain store management.

4

Training of Human Resources

The Group trains human resources and uses their collective energy.

5

Social Contribution

The Group contributes to society by becoming an organization that is indispensable to local communities.

THREE PRINCIPLES OF ACTIONS



1. The Group complies with laws and regulations and rules, and deals with people respectfully.
2. The Group takes decisive actions and values team work.
3. The Group confirms the actual situation on site, and presents it using numerical expressions.



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DYNAM JAPAN HOLDINGS Co., Ltd.

CSR Report 2018

Editorial Policy

The Group names its “stakeholders”, such as customers, local communities, business partners, employees, Shareholders and investors, as “trusted associates”.

CSR Report 2018 reports on the Group’s CSR activities for various trusted associates and promotes CSR activities together with dialogue for enhancing corporate value over the longer term.

Reporting Period

This report covers the period from 1 April 2017 to 31 March 2018. However, some activities in or after April 2018 are also included.

Reporting Organizations

In principle, this report applies to the Group (The Company, 10 Group companies in Japan and 4 Group companies overseas). Individual company names will be used when it is necessary to delineate the scope of application.

Reference Guidelines for Disclosure of Non-Financial Information

- Appendix 27 of Listing Rules
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4
- ISO 26000
- Sustainable Development Goals (SDGs)

About Us

- At a Glance — Financial Highlights
- At a Glance — Non-financial Highlights
- Our Group Organization

Consolidated Financial Results

The followings are major consolidated financial results for the year ended 31 March 2018.

Revenue and Income

Gross pay-ins

¥775,060 mill.

Gross pay-ins represents the amount received from pachinko balls and pachislot tokens rented to customers less unutilised balls and tokens. Gross pay-ins are comparable with gross sales in general companies.

Revenue

¥152,092 mill.

Our revenue represents the gross pay-ins, less gross payouts to customers and our revenue margin represents revenue divided by gross pay-ins. Our revenue is comparable with net sales (gross profit) in general companies. Gross payouts represents the aggregate cost of G-prizes and general prizes exchanged at our halls by our customers.

Other income

¥9,458 mill.

Other income represents income from other businesses than pachinko hall operation, including income from restaurant management near pachinko halls, loyalty income from vending machines, and rental income.

Profit

Operation profit

¥17,349 mill.

Profit before income taxes

¥16,804 mill.

Net profit for the year

¥10,925 mill.

Consolidated Financial Position

The followings are major consolidated financial position as at 31 March 2018.

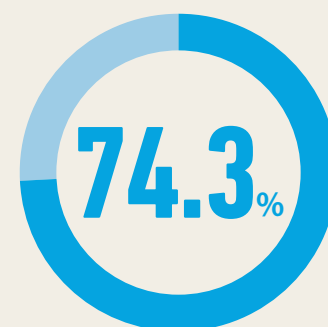
Total assets

¥184,971 mill.

Shareholder's equity (Net assets)

¥137,515 mill.

Capital adequacy ratio



The capital adequacy ratio is an indicator of our financial strength, which is calculated as Shareholder's equity (net assets) divided by total assets.

Cash Flow Generation Capability, Cash and Deposits, Fund Raising Capacity

EBITDA

¥29,524_{mill.}

EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation, and net foreign exchange gain or loss. It is one of the indicators of our cash flow generation capability.

Cash and cash equivalents
at the end of the year

¥40,533_{mill.}

Credit facility

¥34,000_{mill.}

As at 31 March 2018

Credit facility represents total amount of loan facilities for the Group including commitment lines of mega-banks in Japan.

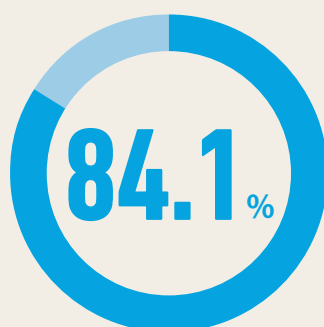
The Group has maintained a strong financial position and sound management on the basis of having steadily accumulated profit over the course of many years. Furthermore, the Group has set forth a rigorous review standard that only new halls with a solid income outlook are approved.

Shareholder Returns

Annual dividend per Share

¥12

Dividend payout ratio



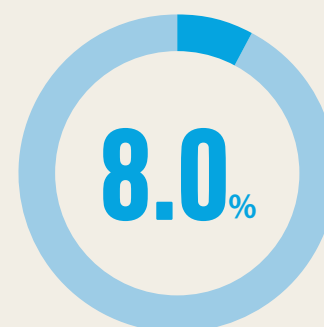
The Company focuses on the consistent payment of stable dividends as its basic policy for distributing profits to Shareholders.

For the fiscal year ended 31 March 2018, we decided to distribute a year-end dividend of ¥6 per Share in accordance with its stable dividend policy.

Combined with the interim dividend of ¥6 per Share, the total annual dividend is ¥12 per Share for a dividend payout ratio of 84.1%.

Capital efficiency

ROE



The ROE (Return on Equity) is an indicator of our capital efficiency, which is calculated as net profit for the year divided by Shareholder's equity (net assets).

Numerical Data of Pachinko Hall Operation

Number of halls

450

halls

Industry position

No.1

Total number of gaming machines

208,543

machines

Proportion of low playing cost machines to total number of machines

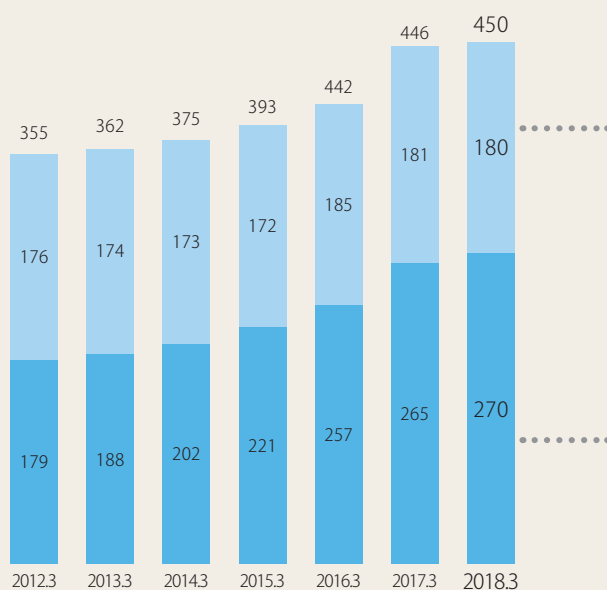
71.1

%

As at 31 March 2018

Operation of two hall types focusing on low playing cost games

The Group operates two types of halls with different gaming costs and focuses on promoting low playing cost games.



High playing cost halls Main hall brand: DYNAM

Most machines are high playing cost machines and smoking is allowed in the halls. This hall type includes 10 halls operated by Yume Corporation and 2 halls operated by Cabin Plaza.

Low playing cost halls Main hall brand: DYNAM Yuttari Kan/
DYNAM Shinrai no Mori

Machines are mainly low playing cost machines and there is a wide selection of general prizes. This hall type includes Yuttari Kan, where smoking is allowed in the halls, and Shinrai no Mori, where smoking is not allowed except in designated areas. They are comprised of 27 halls operated by Yume Corporation and 6 halls operated by Cabin Plaza.

For the year ended 31 March 2018, we opened 6 low playing cost halls. In addition, we closed 2 low playing cost hall in line with a change in our business areas. Also, we converted 1 high playing cost hall to low playing cost hall. As a result, we had a total of 450 halls in operation as of 31 March 2018.

By hall type, we operate 180 high playing cost halls and 270 low playing cost halls, with low playing cost halls making up the majority at 60% of the total.

Increasing number of low playing cost machines

Customer needs have been gradually shifting towards enjoying gaming as a pastime for leisure rather than primarily as a mean of winning prizes. Under this trend, the Group has been shifting its emphasis to low playing cost games.

The national average proportion of low playing cost machines to total number of machines was 47.2% as of 31 December 2017. On the other hand, the Group has developed this to 71.7% as of 31 March 2018.

Going forward, we will continue to drive the expansion of low playing cost games under our vision of reinventing pachinko as a genuine public entertainment that everyone can enjoy.

Numerical Data of Human Resources

Number of Group Employees



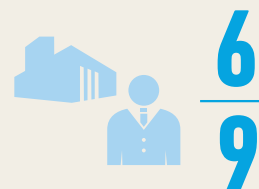
Ratio of female employees



According to research conducted by the Ministry of Internal Affairs and Communications of Japan, the pachinko industry plays a major role in job creation in Japan with an industry-wide workforce of around 250,000 employees. As of 31 March 2018, the Group had a workforce of 18,077 employees. The Group's creation of these jobs and retention of the employees have helped to enhance its recognition from society.

Configuration of the Board of Directors

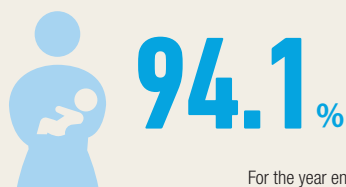
Ratio of outside directors
among Directors



Among the 9 Directors, there are 6 outside Directors prescribed under the Companies Act.

Numerical Data of Pleasant Working Environment

Ratio of employees returning to
work after childcare leave



For the year ended 31 March 2018

Social Expenditure

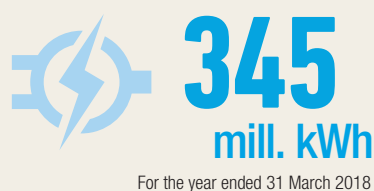
Total amount of specified donations and
sports sponsorships



For the year ended 31 March 2018

Numerical Data of Environmental Protection

Total power consumption



For the year ended 31 March 2018

CO₂ emissions



For the year ended 31 March 2018

Energy consumption rate



For the year ended 31 March 2018

Outline of The Group

The Company is a holding company which directly holds Shares of 3 pachinko hall operators including Dynam and 4 other subsidiaries with other businesses. The Group operates pachinko hall business as its core business and has the largest pachinko hall chain in Japan with 450 halls as of 31 March 2018.



The Company

As at 31 March 2018

Pachinko Hall Business

Dynam

Operates under three business names across Japan as forms of everyday entertainment: DYNAM (high playing cost halls), DYNAM *Yuttari Kan* and DYNAM *Shinrai no Mori* (low playing cost halls).



Yume Corporation

Yume Corporation was acquired into the Group in November 2015. They have been conducting chain store management since its establishment just like Dynam. Yume Corporation operates 37 halls under the Yumeya brand in Japan.



● Japan Real Estate

Cabin Plaza

Cabin Plaza was created from the merger of subsidiaries of the Company in April 2009. It operates 8 halls under the names of Cabin Plaza and Yasumi Jikan.



Other Businesses that Support Group Management

Dynam Business Support

Dynam Business Support supports the entire Group by managing real estate owned by the Group. They also undertake administrative duties including payrolls and accounting. Furthermore, they deal with gaming machines.



- Kanto Daido
- Genghis Khan
- P Insurance

Nihon Humap

Nihon Humap operates restaurants near pachinko halls and large spaghetti restaurants, manages the cleaning of Group pachinko halls, and engages in real estate management, trade and financial operations.



Business Partners

Business Partners is a special subsidiary which set up to employ people with disabilities. There are employees with disabilities working on cleaning office buildings as well as making and selling bags, small items and other miscellaneous items.



Dynam Hong Kong

Dynam Hong Kong is a subsidiary in Hong Kong established for the purpose of investment, management and development of the Group's overseas business, centered in Asia. The company investigates and promotes new business in Asian markets with remarkable growth.



- Rich-O Korea
- Erin International
- Beijing GEO

CSR

- Sustainable Development of Corporate Value and CSR
- Philosophy, CSR Concept, System for Group CSR Advancement
- Stakeholder Engagement
- CSR Theme Settings

● Environment

● Society

Customers

Communities

Business Partners

Employees

Shareholders and Investors

● Governance

Overview of Our Corporate Governance

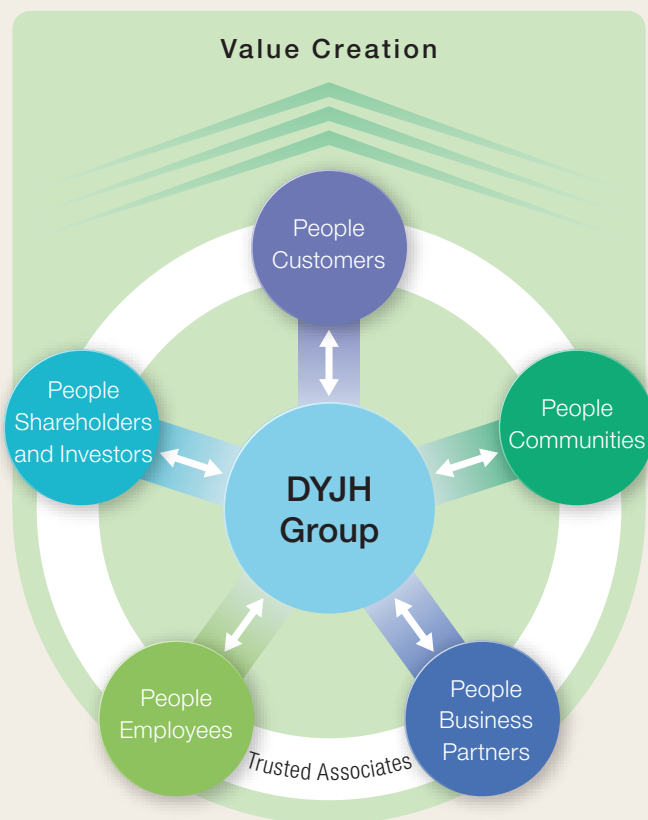
Initiatives for Risk Management

Initiatives for Compliance

We will continue to increase corporate value while aiming to be indispensable to local communities (local infrastructure) and continuing to improve value for all trusted associates.

Through CSR activities, the Group intends to increase value for all trusted associates — customers, local communities, business partners, employees, Shareholders and investors — through ongoing diligent efforts in environmental (E), Social (S) and governance (G) on the basis of relationships of trust. We believe the intrinsic value of our operations will be enhanced by addressing issues that concern local communities, while fulfilling the expectations of trusted associates through our core operations. With all employees of the Group together in unison, we aim to maximize corporate value while eyeing sustainable growth as a corporation through daily progress on these initiatives.

● Creation of Value for All Trusted Associates

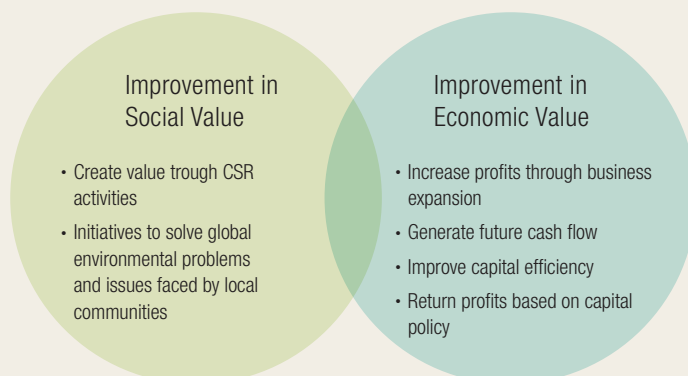


We believe that by meeting the expectations of various trusted associates and raising what each of these people consider to be our value will enhance the overall corporate value.

※ Trusted Associates

In disclosing this CSR Report, the Group refers to customers, local communities, business partners, employees, and Shareholders and investors as “trusted associates”, but this does not limit who may be regarded as a trusted associate. Our basic stance is that the phrase is a broad concept that includes everybody (financial institutions, etc.) referred to in our corporate philosophy and code of conduct, and this in turn entails all involved stakeholders.

● Improvements in Both Social Value and Economic Value through CSR



Continuing to create value for trusted associates through CSR activities provides some assistance to resolving global environment problems and issues faced by local communities, and through corporate activities that fulfill responsibilities regarding sustainable urban development, enabling business growth and leading to the enhancement of unified corporate value. The Group aims for sustainable growth by improving both social value and economic value at the same time.

● Living with Local Communities

■ Aiming to Become Indispensable to Local Communities (Local Infrastructure)

The Group engages in economic activities deeply rooted in communities through its core business of pachinko hall operations.

Pachinko hall operations are made possible not just by the customers who come to the halls, but through the support of all trusted associates such as local community residents, business partners and employees.

Without the development of local communities, it is not possible for the Group for to develop.

We aim to gain recognition from trusted associates and become indispensable to local communities (local infrastructure). We believe this will lead to the Group developing together with the local communities.

To become local infrastructure, it is indispensable to use the Group's core businesses to confront issues facing society and to build a relationship of trust with local communities. We also believe it's important to grow together with the community and develop business while continuing to strive for constant improvement of corporate value.

■ Setting Specific Goals to Become Societal Infrastructure

Until now, the Group has aimed to make pachinko into infrastructure based on the vision of providing everyday entertainment that anyone can enjoy in a comfortable environment. However, there was no clear way to know whether pachinko has become infrastructure, nor has any specific action guidelines been put down.

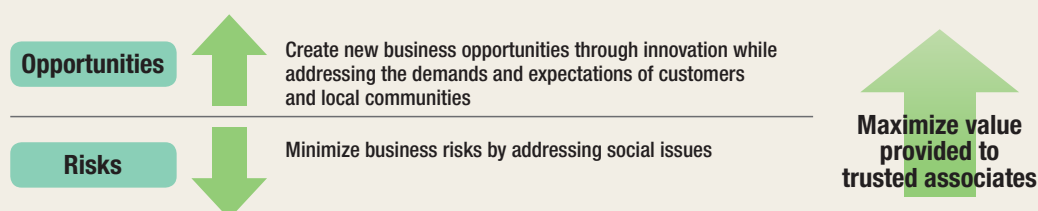
We discussed among in-house departments about what it is for pachinko to be a societal infrastructure, and we itemized the views and values that had never been clearly stated hitherto as it was considered tacit knowledge. The Group then set the 10 Goals to Make Pachinko into a Societal Infrastructure as medium- to long-term action guidelines.

Making Pachinko into Infrastructure



● Management of Risks and Opportunities

Companies have an impact on society in various ways as a result of their business activities. We see business opportunities for long-term growth from the positive impact we can have on solving problems in local communities, such as the health benefits of playing pachinko in preventing dementia, and ideas for new types of pachinko halls. We understand there are risks that threaten business growth, including the negative impact of gaming addiction. While monitoring and properly managing these risks and opportunities, we aim to maximize the value we provide to trusted associates.



All employees work in unison to promoting CSR activities in line with our corporate philosophy.

● Group CSR Philosophy

The Group engages in CSR with the idea of achieving sustainable growth based on its corporate philosophy entailing “a centurial commitment to building trust and encouraging dreams”. We believe promoting CSR is the embodiment of this philosophy.



A Centurial Commitment to Building Trust and Encouraging Dreams

A company cannot exist unless it consistently fulfills the responsibilities it has towards its employees, Shareholders, financial institutions, business partners and other stakeholders, while at the same time it supports and contributes to customers and local residents.

A company is expected to improve the daily lives of its stakeholders. It must also create a world in which all people are united in trust and able to live in peace.

This corporate philosophy represents the spirit in which people and organizations that are united in trust continuously strive to achieve sustainable growth by using their collective energy to achieve their dreams. The term “centurial” that is used in our corporate philosophy refers to the long term.

The Group maintains a long-term commitment to building trust and encouraging dreams.

Five Management Policies

- Principle of Customers First
- Information Disclosure
- Chain Store Management
- Training of Human Resources
- Social Contribution

Three Principles of Actions

1. The Group complies with laws and regulations and rules, deals with people respectfully.
2. The Group takes decisive actions and values team work.
3. The Group confirms the actual situation on site, and presents it using numerical expressions.

Charter of Corporate Behavior

The reason for existence of a company is to achieve sustainable growth in line with the expectations of stakeholders, including Shareholders, managers, employees, partners, financial institutions and customers, and to grow to a certain scale and level of reliability that enable it to contribute to society. All employees of the Group share this principle.

The Group names the stakeholders described above “trusted associates”. We are committed to strengthening our relationship with these partners through our business activities, so that we can grow based on a far-reaching vision. As it grows, the Group will consistently fulfill the roles expected of it by each stakeholder, to ensure that the trust from the stakeholder also grows.

Trust, however, is fragile, and even a momentary lapse of focus can damage it forever. To ensure that it can continue to conduct its business without compromising that trust, the Group has adopted new internal control systems to improve its operations. These systems also clarify and eliminate factors that have the potential to lead to misconduct or violations of laws and regulations.

All of the Group employees, including those that work in the field, constantly take initiatives with full knowledge that such actions help to improve their operations. Through these initiatives, each member strongly believes that the Group can achieve stronger operating results and contribute to society more effectively.

● Group CSR Concept

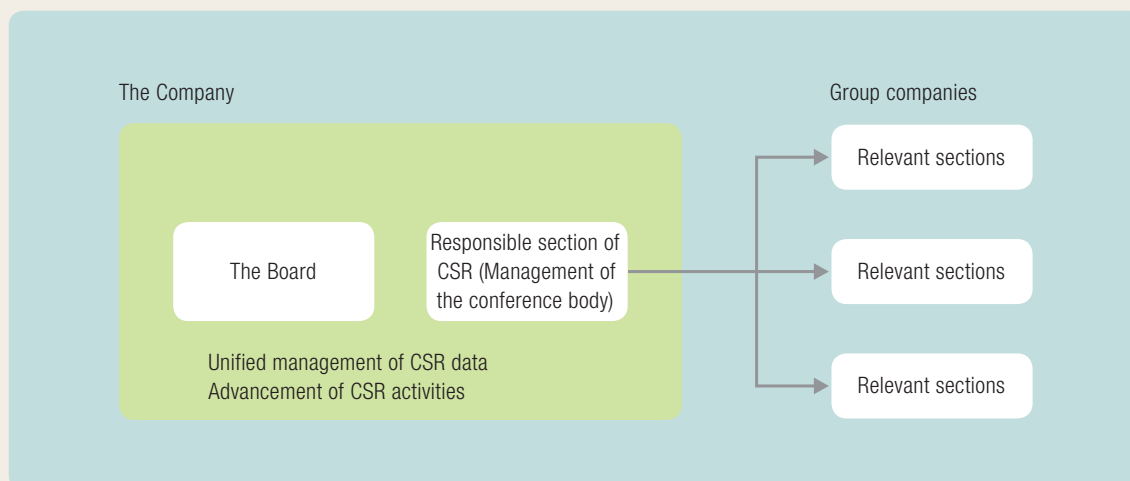
We will contribute to the development of local communities.

1. For our Customers	We prioritize our customers by constantly providing products and services from the customers' viewpoint.
2. Communities	We contribute to the development of regional society by seeking to collaborate and work together with local communities. We aim to be a company that takes on social issues and is needed by communities and society.
3. Organizational Governance	As an organization, we make every effort to gather and record accurate information, disclose this information, and engage in transparent and fair management.
4. Human Rights	For employment and remuneration, we respect basic human rights and do not discriminate in terms of nationality, gender, faith, beliefs, or physical appearance, or in any other terms unrelated to the abilities and motivation of each individual. Personnel evaluations are conducted based on overall assessment of each employee's abilities, motivation, personality, awareness of compliance, and contribution to performance.
5. Labor Practices	We nurture our employees to harness the collective energy of our personnel. To sustain corporate activities, we focus our efforts on maintaining and improving a proper work environment in accordance with laws and regulations, so that our employees can work in safe and healthy environments.
6. Environment	We aim to coexist with regional societies by proactively tackling environmental problems.
7. Fair Business Practices	We build relationships with our business partners on an equal basis that are constructive and sound from legal, social and ethical standpoints to develop economically with our business partners well into the future.

The Group CSR Concept prescribes guidelines we should adopt when we conduct CSR activities.

● System for Group CSR Advancement

In accordance with our basic CSR policy, and under the leadership of the Board of Directors, the highest management decision-making entity, all employees work in unison to advance CSR activities across the entire Group. In the conference mainly run by the responsible section of CSR, we discuss and examine CSR activities for the Group's contribution to the sustainable development of society along with our trusted associates.



Naming our stakeholders “trusted associates,” we build relationships by disclosing information and engaging in dialogues.

Two-Way Communications

The Group names its “stakeholders”, such as customers, local communities, business partners, employees, Shareholders and investors, as “trusted associates”. We are strongly aware of the importance of building relationships based on trust. Since before its listing in 2012, the Group has placed an emphasis on communication and the disclosure of information referred to in the management policy. This is because we believe the sustainable development of the Group depends on listening to and understanding the opinions and expectations of our many trusted associates while engaging in business activities.

While properly disclosing information, the Group uses discussions with stakeholders as an opportunity to examine whether its business activities meet their demands and expectations, and feeds back this information in business activities.

Main Initiatives

- Based on our people-focused business policy, we internally share the requests and opinions of our customers received through face-to-face interactions with them and our consultation desk. This information is reflected in how we create pachinko halls.

Methods of Engagement

- Face-to-face interaction with customers at pachinko halls
- Customer consultation desk
- Meet-the-manager events for customers



DYJH

Main Initiatives

- We cooperate, participate and interact as a member of regional societies when asked by local residents to help with events to revitalize the region.
- We continue to offer disaster relief in areas damaged by earthquakes.
- We support sports events by co-sponsoring figure skating and squash.

Methods of Engagement

- Participation to community events
- Volunteer activities of employees
- Support for disaster sites
- Support for sports activities



Communication Tools with Trusted Associates

The Group is always looking for ways to improve its communication tools with all trusted associates to further their understanding of our operations and business strategies.

Annual Report



In addition to financial information, our annual report features non-financial information about our strategies, social initiatives and environmental efforts. We publish comprehensive information that pertains to the medium-and long-term corporate value of the Group.

CSR Report

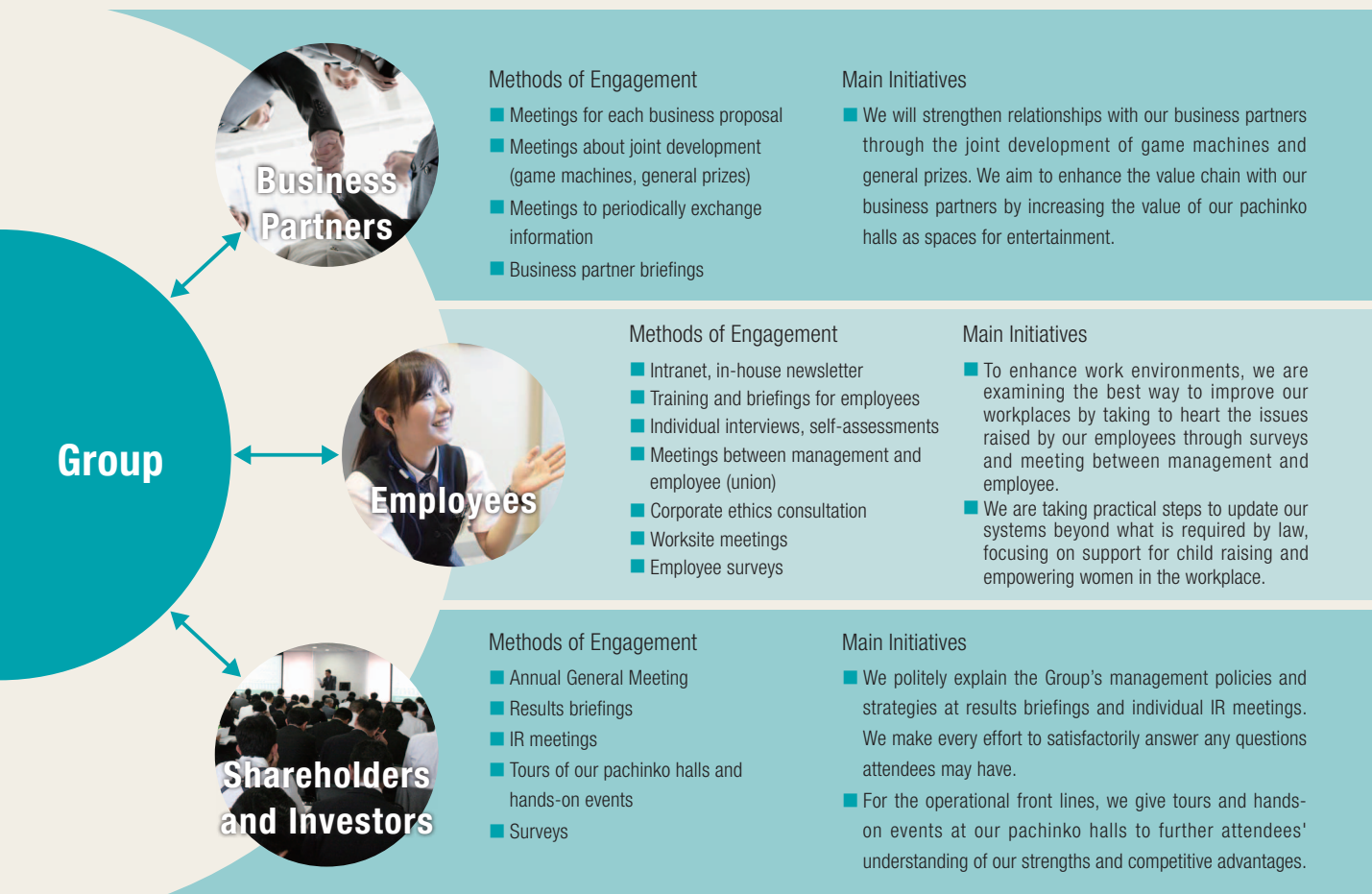


Our CSR report discusses our wide-ranging CSR activities for trusted associates, and engagements for the purpose of enhancing corporate value over the longer term.

Company brochure



We publish a corporate brochure about Dynam, which manages pachinko halls, the core business of the Group. Centered on our corporate philosophy, “a centurial commitment to building trust and encouraging dreams”, the brochure introduces the Company by highlighting its strengths in management, business development, personnel training, and social contributions.



※ Trusted Associates

In disclosing this CSR report, the Group refers to customers, local communities, business partners, employees, and Shareholders and investors as "trusted associates", but this does not limited who may be regarded as a trusted associate. Our basic stance is that the phrase is a broad concept that includes everybody (financial institutions, etc.) referred to in our corporate philosophy and code of conduct, and this in turn entails us facing all involved stakeholders.

■ Booklet (DYNAM Group Newsletter)



We prepare this information booklet for landowners and local residents. It includes a greeting from executive management, special feature about a region, a report on social contribution activities, financial information, and other topics of interest about the Group.

■ Company magazine



This in-house newsletter is distributed to employees to facilitate communications among employees and share information about companywide policies, internal activities and excellent case studies. By bringing together employees and enhancing loyalty, the newsletter fosters a sense of unity among employees.

■ Corporate website



The Group's website contains information we must publish as a listed company. In addition to comprehensive information to supplement our annual report and CSR report.

We identify topics centered on people and clarify the course of initiatives, while referring to international guidelines and the opinions of trusted associates.

While considering the viewpoints of trusted associates, we have categorized each topic we think to be vital to the sustainable development of the Group: E stands for the environment, S stands for society and G stands for governance. Our actual CSR activities are aligned with a category, clarifying the aims of specific initiatives.

Process for Identifying and Deciding Priority CSR Topics

References Made to International Guidelines and Objectives

The Group has narrowed down its CSR categories while referring to guidelines set by the Hong Kong Stock Exchange for disclosing ESG information and international guidelines related to CSR.

Reference Guidelines

Appendix 27 to the Listing Rules

Appendix 27 is an attachment to the rules for companies listed on the Hong Kong Stock Exchange. It contains guidelines for the disclosure of ESG information.

Global Reporting Initiative (G4)

Global Reporting Initiative (G4) is an international guideline for the disclosure of ESG information created by the Global Reporting Initiative, a non-profit organization whose mission is to set international standards related to sustainability.

ISO 26000

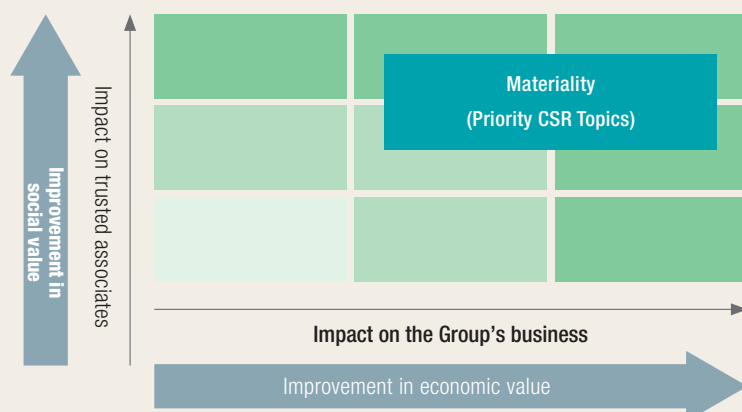
ISO 26000 is the Guidance for Social Responsibility issued by the International Organization for Standardization (ISO).

International Goals

New international goals have been created to address social issues, including Sustainable Development Goals by the United Nations in 2015 and the Paris Agreement at COP21. The Group views this global trend as the universal social request that should be recognized in discussing the Group's CSR. We refer to these items and categories of needs in our process for deciding our main CSR topics.



Materiality Designations (Priority CSR Topics)



The Group understands that its sustainable development depends on the achievement of both improvement in economic value as a for-profit company and improvement in social value through initiatives for all trusted associates, including customers, regional society, business partners and employees. We decide our CSR topics in terms of their impact on trusted associates and Group operations. Our main CSR topics are those we believe will have a strong impact on both.

Our Main CSR Topics and Initiatives

CSR categories	Main CSR topics	Specific initiatives	Relationship between our CSR and the goals	
			Dynam's goal	International goal
			Making Pachinko into infrastructure 10 Goals	SUSTAINABLE DEVELOPMENT GOALS
E Environment	Environment	<ul style="list-style-type: none"> Climate change and recycling society Consideration for the regional environment 	<ul style="list-style-type: none"> Appropriate management of energy usage Proper disposal of waste to realize a recycling society Consideration for the local environment 	<p>⑩ Harmonious existence with the community </p> <p>  </p>
S Social	Customers	<ul style="list-style-type: none"> Improvement of customer satisfaction Provision of the place for gaming with enjoyment and safety 	<ul style="list-style-type: none"> Aiming to make pachinko gaming as everyday entertainment 	<p>① Hall numbers </p> <p>② Customer numbers </p> <p>③ Playing cost </p> <p>④ Product composition </p> <p>⑤ Product development (private brands) </p> <p>⑥ Service </p> <p>⑦ Playing environment </p> <p>⑧ Standardization </p> <p>  </p> <p> </p>
	Communities	<ul style="list-style-type: none"> Pachinko, living with communities 	<ul style="list-style-type: none"> Contribution to society through our core business Local infrastructure 	<p>⑩ Harmonious existence with the community </p> <p>  </p> <p>  </p>
	Business Partners	<ul style="list-style-type: none"> Supply Chain Management Development of value chain 	<ul style="list-style-type: none"> Practice of supply chain management Creation of Value in Business Partnerships 	<p>⑤ Product development (private brands) </p> <p>  </p>
	Employees	<ul style="list-style-type: none"> Diversity and development of human resources Pleasant workplace for employees 	<ul style="list-style-type: none"> Fostering of a corporate culture where diverse people can thrive Enhancement of human resources' skills through training Creation of a business environment that facilitates work 	<p>⑨ Utilization of human resources </p> <p>  </p> <p> </p>
	Shareholders and Investors	<ul style="list-style-type: none"> Information disclosure and transparency of management Return to Shareholders 	<ul style="list-style-type: none"> Highly transparent communication through information disclosure Meeting Shareholders' expectations through return to Shareholders 	
G Governance	Corporate Governance	<p>Strengthening of Group governance for sustainable development</p> <p>Refer to Corporate Governance Report of the Annual Report</p> <p>Internal Control, Risk Management, Compliance</p>		

We realize that a large number of the 17 Sustainable Development Goals (SDGs), which were adopted by the United Nations to guide efforts to address global issues, coincide with the CSR activities the Group is advancing with the goal of achieving sustainability.

Environment

With the understanding that global environmental problems are issues that affect the entire human race, we aim to reduce the environmental burden of our core operations through efforts to preserve the environment.

In 2015, COP21 was held in Paris, and an agreement was reached to set international targets for combating global warming.

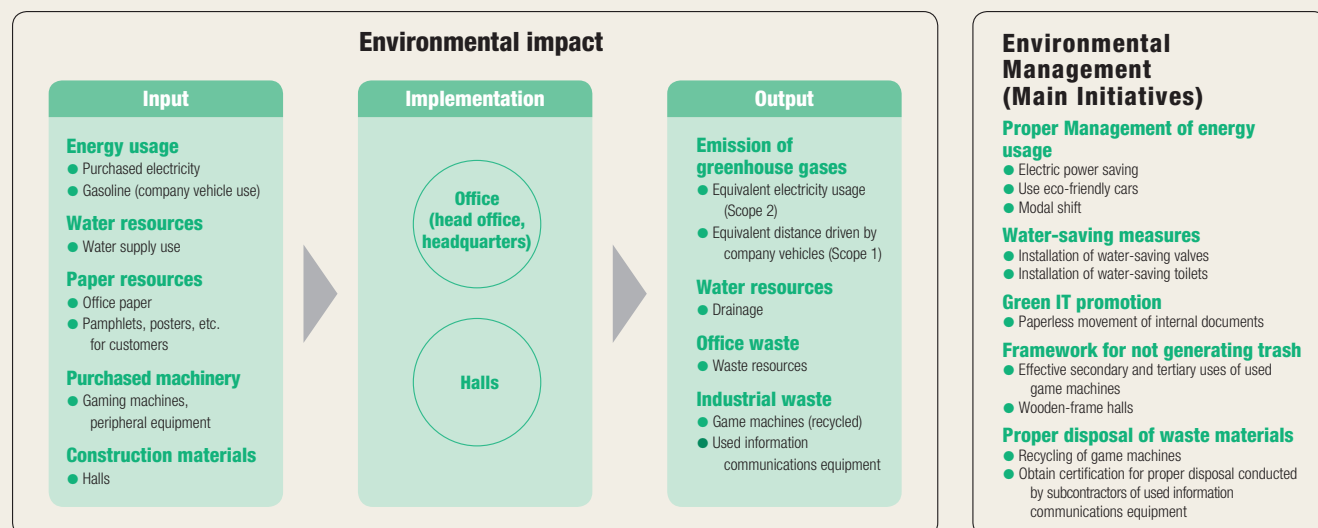
Global environmental issues such as climate change, energy consumption, and pollution are developing, with economic activity as a contributing factor.

Society is organizing itself on the premise of further sustaining our global environment.

Fulfilling corporate responsibility in regards to the environment is considered essential to the Group's sustainable development. The Group aims to reduce the environmental burden of its core operations through efforts at environmental conservation.

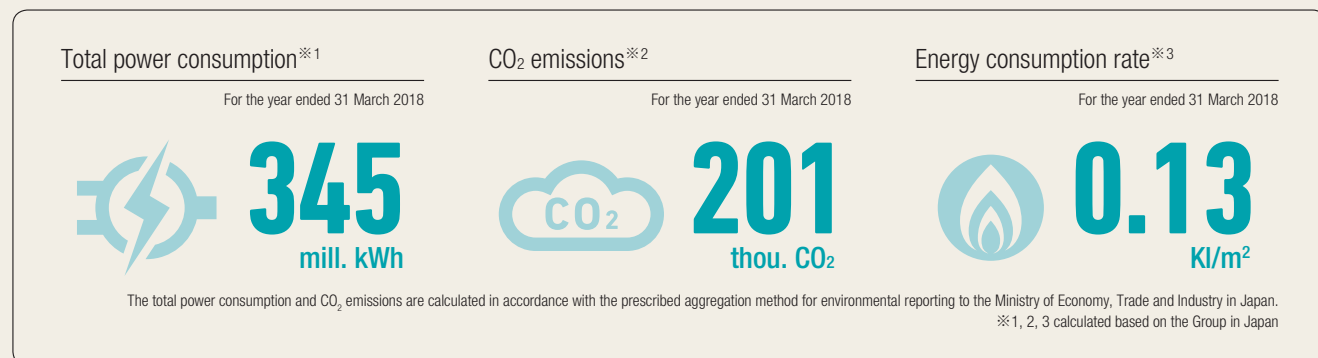
● Group operations and the environment

The Group has an impact on the global environment through the operation of its pachinko halls, its core business. Below is a summary of environmental impact recognized by the Group and the scope of its environmental management system.



■ Disclosure of information about the environment

We disclose the amount of electricity used and its carbon dioxide ("CO₂") equivalent based on the recognition that electricity usage indirectly leads to the emission of greenhouse gases (Scope 2). We also report on our activities to reduce environmental impact by appropriately managing energy usage, properly disposing of waste, and paying attention to the local environment.



Direction of Specific Measures

Appropriately managing energy usage

With the aim of contributing as much as possible to the realization of a sustainable society and in recognition of its important role in environmental conservation, the Group appropriately manages energy usage at all of its facilities, including the 450 pachinko halls across Japan and its head office.

Electricity-saving features of pachinko hall facilities and equipment

Energy-saving lighting and air conditioning systems

LED lighting has been installed inside 450 halls, representing almost all of the Group's halls. Energy efficient air-conditioning systems have been installed in 441 pachinko halls, or 98.0% of the total. In these and other ways, we appropriately manage energy usage.

Formulation and Implementation of Power Saving Guidelines

A team of specialists in charge of managing pachinko hall equipment has created guidelines for reducing electricity use, setting targets for cutting electricity consumption and monitoring progress towards these targets. We efficiently and effectively manage the consumption of electricity by taking advantage of automated controls in energy management systems. We also create specific rules for operating these systems and equipment to raise employees' awareness of saving electricity.

Initiatives to Raise Employees' Awareness of Saving Electricity

In employee offices, efforts to save electricity include adjusting the temperatures of air conditioning systems and turning off indoor lighting and other equipment when not in use as these are major consumers of electricity. Through the use of green IT as well, the Group will further establish each employee's awareness on electricity conservation.

Green IT

The Group has a large number of information communications devices located in the employee spaces of pachinko halls and the offices of its headquarters. Our aim is to help realize a low carbon society by appropriately managing electricity usage, while helping to preserve the environment by using this information communications equipment to increase work efficiency and cut down on electricity consumption.

Web conferencing

Videoconferencing systems are promoted for online meetings involving employees working in different locations. This helps minimize energy consumption by reducing the distance that employees must travel.

Moving to paper-free, electronic in-house documents

By moving to paper-free, electronic in-house documents, we aim to reduce the amount of office paper used as well as cut down on the consumption of electricity by photocopiers and printers. Electronic documents also facilitate the efficient use of web conferencing.

Limiting the use of in-house servers

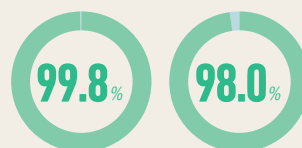
We are moving ahead with the use of the cloud-based desktop as a service (DAAS) as a response to conserve electricity. Electricity usage is reduced by limiting the use of computer servers by making software available to users over the network.

Proper disposal by subcontractors of used information communications equipment

When subcontracting the disposal of information communications equipment, we obtain certification from the vendors proving proper disposal, including CO₂ reduction certificates, reuse-recycle certificates, and resource consumption reduction outcome certificates. In this way, we obtain greater clarity on how waste is disposed.

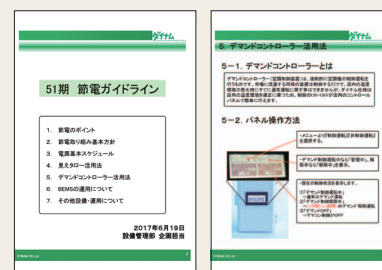
Halls with LED lighting^{※4}

Halls with energy-efficient air conditioning^{※5}



As of 31 March 2018

※4, 5 Calculated based on three pachinko hall operators in the Group (Dynam, Yume Corporation, and Cabin Plaza)



Direction of Specific Measure

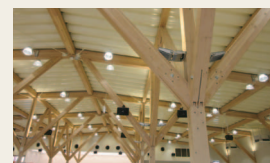
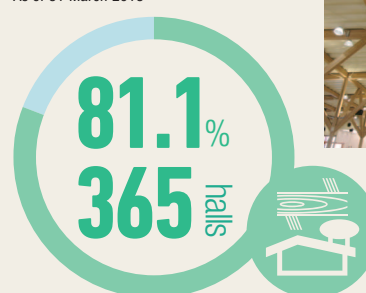
Proper disposal of waste to realize a recycling society

To contribute to the realization of a recycling society, we have ongoing initiatives in place to reduce environmental impact as much as possible by limiting the amount of natural resources we use and ensuring waste is properly disposed after making every effort to minimize waste volume.

Pachinko halls built out of wood

Dynam began to build pachinko halls made out of wood in 1994. These wooden pachinko halls emit less CO₂ than steel frame structures in terms of the material procured and during construction, and have the added benefit of reducing industrial waste when torn down. Their external appearance takes advantage of the natural features of the wood, aligning with the Group's aims of having its pachinko halls blend in with the surrounding scenery. As of 31 March 2018, 365 pachinko halls were constructed out of wood, representing 81.1% of the total halls operated by the Group.

Pachinko hall with wood
frame construction^{※6}
As of 31 March 2018



※6 Calculated based on three pachinko hall operators in the Group (Dynam, Yume Corporation, and Cabin Plaza)

Proper disposal of used game machines

When used game machines are disposed of, they are treated as industrial waste and must be disposed of in line with pre-established procedures prescribed by Japanese law. The Group has created in-house rules for the disposal of waste in compliance with laws and regulations, and has a framework for properly disposing game machines. Parts and materials that can be reused are handled by the Yugiki Recycle Kyokai. In only rare cases are game machines sent directly to landfill as waste.

Creating a framework for zero waste

In addition to reducing waste as much as possible, we have been working to create a framework for producing zero waste. When upgrading equipment in our pachinko halls, for example, our terms and conditions for business partners require that a minimum of cardboard is used for the transportation of equipment to our pachinko halls, and that returnable containers are employed instead to help reduce the impact on the environment.

Reduce Environmental Impact Through Efficient Utilization of Logistics Functions

Reuse of game machines among Group halls

To control machine expenses (the procurement cost of gaming machines), the Group has established 16 distribution centers throughout Japan, each of which covers the logistical needs and facilitates the sharing of gaming machines among 20 to 30 halls. In addition, the centers help to establish a framework for minimizing generation of industrial waste.



Reduction of CO₂ Emissions Through Modal Shift for Gaming Machine Transport

Considering the possibility of future expansion for gaming machine distribution, Group company Dynam has begun a modal shift from trucking transport to railway container transport. Along with the ability to implement accurate and stable transportation of goods, CO₂ emissions will also be reduced through railway container transport, a method of transport that can be said to be considerate of the environment. From here on, Dynam will proactively carry out the modal shift to rail transport for long-distance mass conveyance between distribution centers, striving to lessen its environmental impact and move towards a realizing a sustainable society.



Direction of Specific Measure

Consideration for the local environment

As a member of local communities, the Group pays special consideration to the environment around its pachinko halls where local residents live, while ensuring compliance with laws and regulations.

Low-noise Recreational Spaces

We strive to reduce noise within our pachinko halls (i.e., loud noises and jarring sounds) to provide our customers with a comfortable environment for playing pachinko. We have been updating equipment in each of our pachinko halls to keep down noise levels by installing sound-dampening materials and soundproof walls. Moreover, we consider local residents who live nearby by taking measures to reduce noises made by outdoor air conditioning systems and ventilation systems.

Compliance with Laws and Regulations and Monitoring by Third-party Organizations

Compliance with environmental laws and regulations

Our corporate activities are in compliance with Japanese laws and regulations related to the environment. Including but not limited to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste. We have not experienced any legal violations.

Monitoring by third party organizations

Dynam, the subsidiary of the Company, is evaluated and rated by the Pachinko-Trusty Board (PTB) every year, and is monitored by third-party organizations for compliance with laws and regulations as a pachinko hall operator, in addition to their internal management systems. PTB is an independent industry organization consisting of leaders and experts dedicated to improving the social stature of companies that operate pachinko halls. Since its establishment in 2005, PTB has conducted audits for the purpose of ensuring pachinko hall operators are trustworthy and safe for society. PTB's evaluation standards consist of 97 items and 10 categories, including the following two categories under five items for evaluating environmental conservation.

Social requirements

- Consideration of local communities (1) (neon lights, signage, etc.)
- Consideration of local communities (2) (noise)
- Consideration of local communities (3) (parking for cars and bicycles)

Other major laws and regulations

- Methods for disposing waste
- Environmental and energy-saving measures

In 2017, Dynam was highly rated for these five items under the said two categories, showing that its management framework is a model-company level for listed companies.



Social

- Customers
- Communities
- Business Partners
- Employees
- Shareholders and Investors

Aiming to create value by making pachinko equal to everyday entertainment that is fun, pleasant and safe for everyone.

Based on its customer-first policy, the Group takes action with customers foremost on our minds, providing products and services from the standpoint of customers. In operating pachinko halls, we create valuable experiences for our customers who play games on our game machines and through other services that bring them joy and comfort. We understand that continuing this approach steadily leads to the long-term creation of value. As local infrastructure, we will create value for our customers with the aim of providing everyday entertainment that anyone can enjoy in a comfortable environment.



Direction of Specific Measure

Aiming to Make Pachinko as Everyday Entertainment

Our vision of an ideal pachinko hall is one built without excessive investment, with rows of pachinko game machines that are fun and compelling to play in a comfortable setting staffed with fully-trained employees. To remain a going concern, we believe it is vital to turn pachinko into everyday entertainment that gives customers pleasure when they are playing pachinko. To this end, we strive to create an environment that is safe and relaxing for playing pachinko by constantly improving the recreational space and through customer satisfaction initiatives and employee training focused on people.

Operations with a Focus on People

Every day, our employees working in the Group's pachinko halls always put their effort in improving the operations by focusing on people. Our employees put their heads together and discuss the types of customer interactions and services that we should provide in terms of prices, quality and comfort, which are put into practice on the operational front lines. Out of these efforts, the ones likely to bring the best outcomes are shared among all pachinko halls through briefing meetings. As other companies in the sector are merged into the Group, the mixing of personnel will bring new ideas we previously did not have, thereby enhancing synergies and creating value across the Group as a whole.

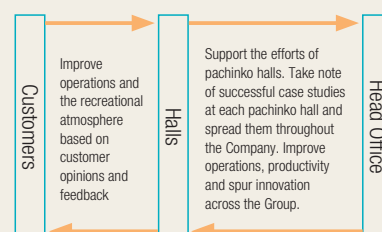
Returning to the basic of a customer-first policy, we aim to provide our customers with what they want in terms of prices, quality and comfort

Using the awareness and ideas gained through daily operations, our employees put their heads together and discuss the types of customer interactions and services that we should provide in terms of prices, quality and comfort, without forgetting the basic principle of always putting the customer first. Each pachinko hall identifies areas that can be improved on a detailed level, and these improvement goals are systematically managed through a PDCA (plan-do-check-act) cycle.



Operational front line and head office working in unison

Our operations with a focus on people going beyond the operational front lines. The head office works in unison with the operational front lines to help ensure their effectiveness through a variety of initiatives. For example, the head office assists the operational front lines by collaborating with pachinko halls to share successful case studies over the company intranet, while also holding contests, lectures and promotional campaigns.



Compliance with laws and regulations

We are in compliance with Japanese laws relating to health and safety, advertising, labelling and privacy matter relating to services provided by the Group.

● Efforts to Improve Customer Satisfaction

■ Training for interacting with customers

Employees are trained on how to interact with customers by external experts and other employees who have extensive experience and certain qualifications, to improve the quality of customer interactions with a focus on people while reviewing daily operations objectively. In addition to acquiring knowledge, our training programs are combined with on-the-job training that emphasizes the practical application of learning outcomes on the operational front lines.



■ Customer service desk

The opinions of our customers are essential to improving our services from the standpoint of customers. The Group learns about the diverse opinions and requests of our customers as employees at each pachinko hall interact directly with customers on a daily basis, and also through our customer service desk, telephone calls, letters and emails. All of this information is used to improve customer satisfaction.



Gaming Machine Development from the Customer's Perspective

Dynam has been advancing joint development of private brand machines with manufacturers since 2006 for anyone to be able to easily enjoy playing pachinko as everyday entertainment.

Presentation of Goraku, a New Private Brand Pachinko Machine

The Company presented Goraku, a new private brand pachinko machine, at Dynam headquarters before Tokyo hall members and invited media associates in January 2018. The event was held to inform members about the private brand machine, but also with the goal of utilizing our customers' honest opinions in future game development. Looking ahead, as the pachinko hall company that is closest to its customers, we will utilize gaming machine data and provide products developed from the customer's perspective.



■ Briefing meetings with a focus on people

Of the nationwide efforts with a focus on people, the best case studies are highlighted and shared at periodically held briefing meetings. These wide-ranging case studies serve as opportunities to raise awareness of discovering ways of creating new value, including through measures from a woman's point of view, promotions involving customers, and stronger ties with customers through prizes.

■ Synergies through personnel exchanges among Group companies

Dynam and Yume Corporation exchange personnel by transferring employees between their pachinko halls. Each company brings their customer interaction and operational know-how accumulated over many years, increasing synergies at both companies and their abilities to provide customers with higher-quality services.



The Group has accumulated a variety of methods and processes for acquiring new customers, talking with customers, and other means of communication on the operational front lines. One of the Group's strengths is its framework for sharing and applying the wisdom and expertise of its employees. This framework is rooted in a corporate culture that has been

nurtured by the Group over many years. It is an invisible resource that cannot be easily imitated by the competitors. We consider it a special core competency of the Group. The value created by people (i.e., our employees) is something that can be built upon and adds value to pachinko itself. It is the wellspring of growth for the sustainable development of the Group.

Promotion of low playing cost games

One of our initiatives aiming for everyday entertainment is the promotion of low playing cost games. Low playing cost games are designed to entertain customers without imposing a significant cost burden on them. We have been promoting low playing cost games ahead of other pachinko companies.

Proportion of Halls Featuring Low Playing Cost Machines^{※1}

99.3%

As at 31 March 2018



Proportion of Low Playing Cost Halls to Total Number of Halls^{※2}

60%

As at 31 March 2018



Proportion of Low Playing Cost Machines to Total Number of Machines^{※3}

71.1%

As at 31 March 2018



※1,2,3 Calculated based on three pachinko hall operators of the Group (Dynam, Yume Corporation, and Cabin Plaza)

The national average proportion of low playing cost machines to total number of machines was 47.2% as of 31 December 2017. On the other hand, the Group has developed this to 71.1% as of 31 March 2018.

Improving and enhancing the recreational space of our pachinko halls

We aim to increase the value of our pachinko halls as recreational spaces, improving them in both soft and hard aspects, so customers can enjoy playing games in the comfortable environment of our pachinko halls.

Examples of Main Measures

Universally designed halls	Promoting universally designed halls for senior citizens and people with disabilities in all of our halls. Installation of barrier free restrooms and pachinko chairs that can be removed to accommodate wheelchairs.
Reducing physical stress placed on customers	Our halls use soundproofing materials to reduce noise. Our comfortable environments are the result of constant refinements, including the installation of breeze-deflecting panels and armrests.
Providing rest spaces	Our pachinko halls have rest areas where customers can read comic books, magazines and information about their local communities. We offer these spaces as rest areas and places for local residents to gather.
Enhancing our lineup of prizes	Our extensive range of prizes resembles products in a convenience store, and customers can also choose prizes from a catalog. We also plan special prizes coordinated with seasonal events.
A clean environment thanks to air purification systems	Our pachinko halls have air purification systems that neutralize 99% of viruses and bacteria. The excellent air quality is one trait of our clean pachinko halls that customers can enjoy.
Transparent smoking partitions	We have installed transparent partitions for smokers so that our customers can enjoy playing pachinko without worrying about secondhand smoke. Each pachinko machine has transparent partitions on either side to prevent secondhand smoke from drifting towards the players. Dust collection machines are located at various places within our halls. We have 26 halls that are completely smoke free.

Innovative Development of New Pachinko Halls

We are exploring concepts for new types of pachinko halls that regional societies will require in the future.

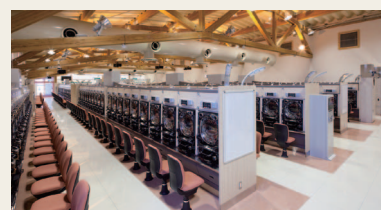
We have 26 halls that are either completely smoke free or fully partitioned for smokers

We actively promote the passive smoking measures by operating 26 DYNAM *Shinrai no Mori* halls and 2 DYNAM *Yuttari Kan* halls that are either completely smoke free or fully partitioned for smokers.

The DYNAM *Shinrai no Mori* hall was opened in 2009. This type of hall offers ease of mind mainly with ¥1 pachinko and ¥5 slot machines, as well as entertainment with more than 100 types of game machines and an extensive variety of prizes. We have installed air purification systems that neutralize 99% of bacteria and are paying particular focus on air quality.

completely smoke free or fully partitioned for smokers

26 halls



Creation of Framework for Playing Pachinko in a Safe and Secured Environment

For anyone to be able to easily enjoy playing pachinko as everyday entertainment, the Group believes in providing spaces that are always safe and secured for customers to play pachinko and seeks to evolve this framework.

Measures against dependence problem

Internal System for Dealing with Gaming Addiction

The Group regularly holds a task force led by the executive management of Group companies where they acquire knowledge and expertise about addiction issues and discuss countermeasures for halls. The task force has laid the foundation for an effective framework by inviting Naoyuki Nishimura, the Chief Executive of Recovery Support Network[※] to be an advisor, enabling the force to obtain opinions derived from specialist knowledge.

※ The Recovery Support Network is a specified non-profit corporation for helping people with pachinko addiction problems. It provides free advice over the telephone and recovery support services to prevent addiction problems from becoming worse. The Group assists this support network through the Shinrainomori Association by investigating ways to solve addiction problems and providing support.



Guidelines for Encouraging Customers

The Pachinko/Pachinko Slot Machine 21st Century Association, an industry group, has guidelines on dealing with addiction issues. The Group is implementing measures based on these guidelines without any failure, and advises customers to take the following steps to prevent becoming obsessed and conducts awareness raising activities.

- ① We raise awareness of the issue of gaming addiction by stressing that pachinko and pachislot should be played in moderation in commercials, newspaper inserts, direct messaging, tissue handouts and other forms of advertising.
- ② Our pachinko halls are adorned with posters and stickers with contact information for the Recovery Support Network which provides advice over the telephone about pachinko addiction problems.
- ③ Introduction of a voluntary reporting program.
- ④ Assignment of an advisor.



Poster for raising awareness

Training systems and education programs

We invite outside experts to give lectures while holding study sessions on a regular schedule for employees to correctly understand the issue of gaming addiction. Our internal training systems treat this issue as one of the most important topics. We periodically held meetings to assess the status quo across the entire organization, drew up specific policies and action plans, and then implemented these measures.

Initiatives involving industrywide entities

The Group is a participating member of the Pachinko Chain Store Association and the Pachinko-Trusty Board, which holds study sessions and conducts research into solving the issue of gaming addiction.

Resolving the problem of children left unattended in parked vehicles

At the Group, we patrol our parking lots as a part of a system to warn customers about leaving their children alone in their vehicles, which also entails posters, streamers, and public announcements in our pachinko halls. In the fiscal year ended 31 March 2018, there were no incidents of children being left in their parent's vehicles while they played pachinko in our halls.



Evacuation guides for major natural disasters

Learning from the Great East Japan Earthquake in March 2011, we have created evacuation guides in the event of a major natural disaster, and we periodically hold evacuation drills.



Preparations for a medical emergency (AED equipment)

At Dynam, all of our pachinko halls have AED equipment. We also conduct drills that simulate what to do in medical emergencies until an ambulance arrives.



While growing together as local infrastructure, we aim to have a mutually beneficial relationship with communities.

We have embraced “pachinko, living with communities” as our slogan for depicting our corporate stance on the operation of pachinko halls. This slogan comes from the belief that without development of towns there can be no development of the Group. As local infrastructure, we have taken initiatives to provide places for recreation in communities, reinventing pachinko as a form of everyday entertainment that anyone can enjoy in safety. Growing together as local infrastructure, we aim to have a mutually beneficial relationship with communities as we give back to society through our core business.

Direction of Specific Measure

Contributing to Society Through Our Core Business

Through the operation of pachinko halls, our core business, the Group provides entertainment venues where local people can spend time relaxing. We wish to be an essential part of communities by giving our customers a valuable experience filled with fun and relaxation at our pachinko halls.

● An Everyday Form of Entertainment that Communities Need

The Group advocates “pachinko, living with communities” while operating pachinko halls in our core business. Our aim is to offer everyday entertainment needed by communities, while working to solve social issues through our core business, such as promoting employment and addressing an aging population.

■ Balanced Development of Local Communities

Looking at the landscape of the entertainment industry in Japan, entertainment facilities tend to concentrate in major metropolitan areas due to regional demographics and economic disparities. In regional areas where there are fewer entertainment facilities than major metropolises, we think that pachinko halls play a major role as a form of everyday entertainment. The Group has adopted a suburban strategy as a facet of its chain store management practices, and opens halls throughout Japan without showing a preference for a particular region.

■ Initiatives to Promote Self-Sufficiency Among Senior Citizens

Amid a rapid aging of the population across Japan, as an operator of pachinko halls we have put in motion initiatives responding to the needs of local communities from the perspective of welfare for senior citizens.

The Group aims to help senior citizens lead fulfilling lives through pachinko.

Pachinko Experience Parties at Nursing Care Facilities for Senior Citizens

With the aim of contribution to each region through pachinko, we held events where senior citizens could play Torepachi!, a type of pachinko designed for senior citizens, at facilities such as nursing care facilities.

Torepachi! is a pachinko machine specially developed by Toyomaru Sangyo, a pachinko machine supplier for welfare training, and is expected to provide rehabilitation benefits as participants become motivated to play these games for fun. Torepachi! makes it easier to concentrate on rehabilitation exercises for various areas. Group employees from nearby pachinko halls also participated in managing the pachinko hands-on events.

In addition, we entertained visitors to our pachinko halls with major game events based on the official “Moories” characters.



● Promoting Regional Employment

The Group has adopted a suburban strategy as a facet of its chain store management practices, and opens halls throughout Japan without showing a preference for a particular region.

We believe the Group should play a major role in contributing to stability in the lifestyle of local residents by offering employment opportunities at our regional pachinko halls.

■ Contributing to Local Employment

By opening halls throughout Japan without showing a preference for a particular region, the Group is able to contribute to creating employment in various communities.

■ Employees Work Only in Designated Regions

The Group has put in place a system of hiring employees to work at pachinko halls in only designated regions. Employees hired by the Group commute from their homes to local pachinko halls, and are allowed to continue working there without being reassigned to a different region. In this way, our employment practices are rooted in local communities.

■ Extending Employment of Senior Citizens

With the aim of having senior citizens lead fulfilling lives while participating in society, in August 2016 we raised the hiring age for Group employees from 65 to 70, and increased the maximum work age to 75 years old. Our senior citizen employees work in our pachinko halls, parking lots and administrative positions.

Direction of Specific Measure

As Local Infrastructure

The Group's pachinko halls across Japan play an ongoing role as essential local infrastructure in the development of local communities by providing human and economic assistance and we aim to continue such activities.

● Responding to Natural Disasters and Supporting Reconstruction in Affected Areas

With pachinko halls spread across the nation, the Group believes it is important to engage in grassroots activities tied to local communities. In particular, we believe it is essential to assist with the reconstruction of areas affected by natural disasters. Having experienced many natural disasters, including the Hanshin Awaji Great Earthquake, Great East Japan Earthquake, and Kumamoto Earthquake, the Group takes action to rapidly provide assistance soon after a natural disaster strikes, centered on the provision of disaster relief materials, volunteer activities, and monetary donations.

Collaboration with Sakura Line 311, a Specified Non-profit Corporation

The Group cooperates with Sakura Line 311, a specified non-profit corporation.

Sakura Line 311 aims to plant cherry trees in Rikuzentakata City, Iwate Prefecture, with one every 10 meters along the line marking the crest of the tsunami that struck roughly 170 kilometers of coastline after the Great East Japan Earthquake on 11 March 2011. This avenue of trees shows to future generations of people that they should evacuate above the line in the event of another tsunami.

Agreeing with the aims of this activity, the Group volunteers to help with tree-planting events held twice a year in the spring and autumn. As a member of the community, we will watch over these cherry trees so as to not forget the lessons of the Great East Japan Earthquake.



● Building Relationships of Trust Through Grassroots Activities

We emphasize collaboration and coordination with local communities through ongoing grassroots activities that help the region, while communicating well with local residents.

■ Grassroots Initiatives in Each Community

We help coordinate the cleaning of areas around our pachinko halls across the country, volunteer to manage local festivals and fireworks shows, donate gifts to social welfare organizations, and help with blood donation drives by providing space in our parking lots.

■ Dialogue with Local Residents

We hold events where local residents can talk directly to the managers of our local pachinko halls. We listen to their opinions about our pachinko halls and learn information about the region, which are reflected in the operation of our pachinko halls.

■ Building Relationships with Landowners

When negotiating agreements on land for opening new halls with land owners, staff from the department for developing new halls patiently explain the rent, duration and other land lease stipulations in details, while providing an overview of the Group's business philosophy and content.

● Economic Support Through Gifts and Donations to Communities

The Group provides economic assistance in the form of gifts and donations to local governments and philanthropic organizations in regions where it operates pachinko halls, and Sports Sponsorship.

Yumeya Foundation was created as a part of Yume Corporation's CSR activities. Through the My Fund System of the Association for the Promotion of Public Welfare, we help people who need assistance in sound childhood development, protecting the environment, and recovering from natural disasters, while also assisting emerging countries.

Social expenditure^{※1}

For the year ended 31 March 2018

¥152 mill.

※1 Total amount of specified donations and sports sponsorships

● Support for Sports Activities

The Group supports sports activities as a part of its efforts to contribute to the community.

■ Co-sponsorship of Squash Events

Through Dynam, we are an official partner of Japan Squash Association, helping spread the enjoyment of squash to as many people as possible as a co-sponsor of events.

Co-sponsored Events	September 2017	DYNAM CUP SQ-CUBE OPEN 2017 in Shin-Yokohama
	February 2018	DYNAM CUP SQ-CUBE OPEN 2018 in Saitama



■ Co-sponsor of Figure Skating Events

Dynam supports the development of figure skating as a sport that brings excitement and inspiration to people by helping athletes achieve their highest levels of artistic performance.

Sponsorship Record	October 2017	ISU Grand Prix of Figure Skating 2017/18 Russia
	November 2017	ISU Grand Prix of Figure Skating 2017/18 France



■ Co-sponsor of Surfing Events

Yume Corporation is a co-sponsor of major surfing events held by the Japan Pro Surfing Association.

Hosting Record	July 2017	Yumeya Surfing Games Tahara Open
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We aim to create value from the perspective of our customers by improving the value chain through partnerships and fair transactions with our business partners.

The Group procures from external business partners items required to operate pachinko halls, such as game machines, peripheral equipment and general prizes. Going beyond the internal organizations of the Group, the operation of pachinko halls is made possible through a comprehensive effort including external business partners.

With the intention of providing everyday entertainment to our customers, the Group aims to create value from the customer's point of view by improving its value chain along with business partners through partnerships and fair transactions that comply with laws and regulations.



Direction of Specific Measure

Practice of Supply Chain Management

The procurement of items, such as game machines and general prizes, are important transactions that directly affect business performance. When assessing the impact of the Group's business activities on the environment and society, we believe it is important to take into account indirect effects, including the activities of our business partners, and make an effort to avoid or minimize unintentional negative outcomes. While following international guidelines as well as domestic laws and regulations concerning human rights, labor and the environment, the Group intends to constantly improve supply chain management by complying strictly with laws and regulations, including with business partners, and following an ethical code of conduct.

Fair Transactions with Business Partners

Major Business Partners of the Group

The Group mainly conducts business transactions with suppliers of the game machines and general prizes used at its pachinko halls.

The Group buys game machines from 42 game machine manufacturers, and out of those, transactions with top 5 game machine manufacturers account for 53.9% of the consideration of the total transactions. For general prizes, the Group deals with 39 prize suppliers, and out of those, transactions with top 5 prize suppliers account for 90.1% of the total number of prize makers. Out of the top 5 game machine manufacturers the Group does business with, 2 companies are listed in Japan. All of the above-mentioned business partners are Japanese companies.

Conducting Sound Transactions in Compliance with Laws

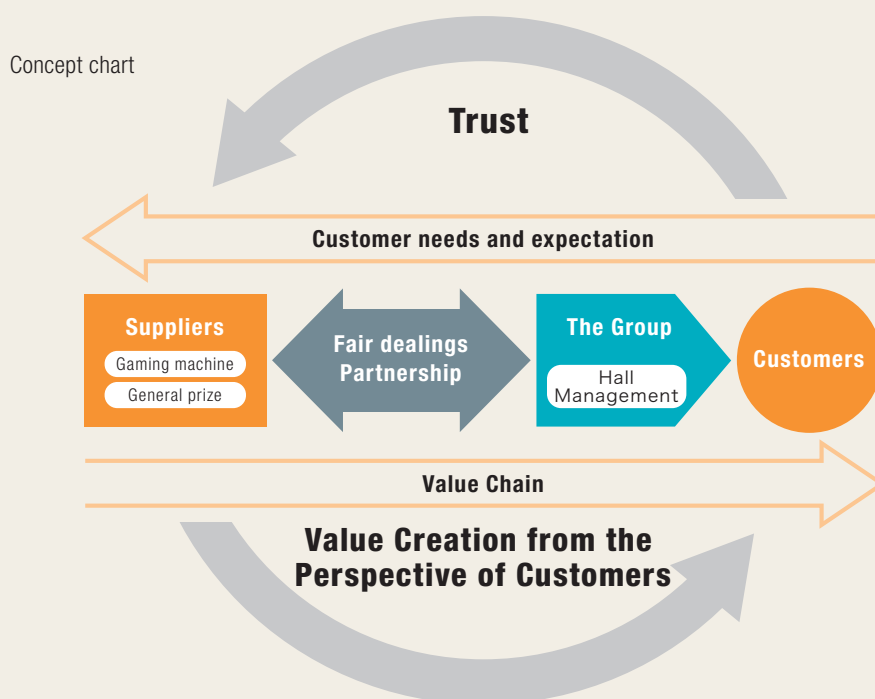
Before entering into an agreement with a new business partner, the legal division of the Group (the "Legal Division") conducts a compliance check of the business partner and looks for any problems in its operations and history of business transactions. The legitimacy of the basic agreement with the business partner is checked, and documentation with our corporate code of conduct is given to the business partners after contracts are signed. We also share our corporate philosophy with the new supplier.

From an international standpoint, the Group is expected to address social issues including regional environmental pollution and the inhumane treatment of labor, such as coerced and child labor. The Group is fully aware of these international expectations and actions prohibited by law in Japan, and will never engage in a transaction that violates corporate ethics. We have not encountered any violations of the law, including our business partners in Japan.

To maintain sound operations, we will continue to manage our supply chain by always engaging in sound transactions in full compliance with laws and regulations.

Direction of Specific Measure

Creation of Value in Business Partnerships



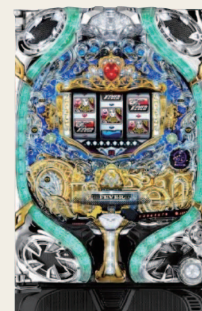
Joint Development with Business Partners

Joint Development of Game Machines that Satisfy Customer Needs

The Group designs its own private brand game machines based on its business policy of providing everyday entertainment. Our private brand machines offer a simple and easy-to-grasp artistic staging and do not require complicated techniques to play. Based on the massive volume of gameplay data gathered at our pachinko halls, we develop game machines to 100% original specifications with the game machine manufacturers, and roll them out in our halls. So far, we have developed 62 game machines in partnership with game machine manufacturers.

Development and Rolling Out of Private Brand Machines

Dynam continues to maintain its long-standing aim of providing pachinko gaming as an everyday entertainment that everyone can enjoy easily. As one method to achieve this, Dynam has been developing game machines in collaboration with the game machine manufacturers, based on the massive volume of gameplay data that we possess. Dynam's PB machines (a type of new game machine) have been designed to enable customers to experience the original pleasure of pachinko with only small amounts of money, thereby enabling them to enjoy the game for long periods. Looking ahead, we will continue to develop PB machines to enhance the variation in game machines in our halls that can be easily enjoyed with small amounts of money. The new brand that we have started to introduce in the fiscal year ended 31 March 2018 is called Goraku and it incorporates the concept of everyday entertainment.



Joint Development of General Prizes

We strive to have quality general prizes ready as part of our aim to provide everyday entertainment. We endeavor to offer services that bring our customers happiness by including popular products and special prizes for seasonal events. Our prize planning entails taking advantage of the planning capabilities of our suppliers while incorporating information about customer preferences gathered at our pachinko halls. So far, we have developed 18 prizes in partnership with prize suppliers.



We train our Human Resources, an Essential Component of Sustainable Growth, to Enhance their Skills and Abilities.

The Group has declared Training of Human Resources as one of its management policies. We believe sustainable growth hinges on our efforts to raise the level of our human capital with the aim of creating value focused on people, so we seek to enhance human resources through the development of each and every employee's skills, abilities, motivation, and experience in the organization. Our employees are the wellspring of our competitive advantage. We make every effort to maintain and improve proper working environment in accordance with laws and regulations, so our employees can work in healthy and safe conditions.



Direction of Specific Measure

Fostering a Corporate Culture where Diverse People can Thrive

The Group respects diversity in human resources, and believes the creation of a corporate culture where people with diverse backgrounds can thrive is a driving force behind gains in corporate value.

Equal Employment Opportunities and Fair Compensation

At the Group, we welcome people of diverse backgrounds and respect human rights in our non-discriminatory hiring practices, which are based on our hiring policy and corporate code of conduct. As of 31 March 2018, the Group had a total of 18,077 employees, representing a diverse workforce with regard to nationality, gender, age and disability. Each of our employees set their own objectives, against which they are fairly evaluated for promotions and raises, for an open and fair human resources system.

Supporting Female Employees in the Workplace

At the Group, we believe supporting women in the workplace will lead to stronger competitiveness and higher corporate value. We aim to increase the ratio of women in new college graduate hires to around 40%. We intend to provide more opportunities for women in the workplace by modifying our corporate framework and the work styles of employees.

Ratio of female employees (Numbers)^{※1}
As of 31 March 2018

54.4%
(9,693 employees)

※1 Calculated based on the Group



Enhancing Support Systems

Our support system for female employees entails a mentoring system that supports women from various angles, including mental preparation, by pairing a senior female employee (i.e., a mentor) to a newly hired female employee (i.e., a mentee). The mentor and mentee discuss topics that may be difficult to talk about with managers. Female employees can also find support from our internal social network site, email, and get-together events held in each region. Both male and female employees who are raising children can apply for shortened work hours, time off for raising children and are discouraged from working overtime and late-night hours.

Ratio of women in new college graduate hires (Numbers)^{※2}
For the year ended 31 March 2018

28.6%
(26 employees)

※2 Calculated based on Dynam



Framework for Maximizing Capabilities of Women

In 2013, our subsidiary Dynam created a team tasked with promoting women in the workplace, led by a female head of the Human Resource Development Department. The team has undertaken several initiatives that incorporate input from women, and will expand these initiatives across the Group in the future.

Initiatives to Prepare Women for Senior Positions and Management

Group companies have programs that help female employees advance their career by taking advantage of each group company's special features. These programs strengthen connection among female employees and encourage them to apply their own unique skills to broaden opportunities.

Cross-Industry Initiatives 1

Dynam Hosts Nadeshiko Summit 2018

~ Networking Event with Other Companies ~

Dynam invited managers from other companies aiming to promote women in the workplace and created an opportunity for them to exchange ideas about solving the issues they are facing. At the Dynam Nadeshiko Summit 2018 held in February 2018, we invited observers to attend from other industries, including representatives from Leoplace21 Corporation and Sigma Logistics Co., Ltd. who participated in group discussions. A total of 22 people attended the networking event, sharing information about their own initiatives and discussing ways to solve issues.

Information was exchanged as each company gave a presentation about their own efforts. Shared initiatives included at-home work systems (i.e., working from home), return to work systems (re-hiring employees who left for various reasons), and women's stores (stores operated only by women).



■ Commitment to the Ministry of Health, Labor and Welfare Positive Actions

Dynam and Yume Corporation have committed to four objectives based on the Ministry of Health, Labor and Welfare's positive action plan for advancing women in the workplace. These four objectives are: improve workplace conditions, expand the hiring of women, help women remain employed, and increase women in management positions. We proactively take actions on our own initiative to fix any underlying employment discrepancies between men and women.

■ Compliance with Laws Regarding Women in the Workplace, Setting Objectives

In 2018, we formulated the action plan below based on the Act of Promotion of Women's Participation and Advancement in the Workplace (the "Women's Participation and Advancement Act").

Action Plan for the Women's Participation and Advancement Act (from 1 March 2016 to 31 March 2018)

- (1) Objective: Increase ratio of full-time female employees to at least 9.0%
- (2) Objective: Put in place systems to motivate and understand employees to create an environment where both men and women can choose a work style best for themselves
- (3) Objective: Train female employees with the goal of promoting them to management positions

■ Designated as Company that Promotes Workplace Participation by Men and Women

In Japan, local governments have created systems for recognizing companies with working environment that encourage both men and women to thrive in terms of their training systems, welfare benefit systems, work-life balance, and compliance with laws and regulations. Dynam has received awards from five local governments and accreditation from 13 local governments.

We plan to apply for similar certifications in other prefectures as a part of our proactive efforts to expand employment and training opportunities regardless of gender.



● Promoting Employment of People with Disabilities

The Group offers employment opportunities to people with disabilities as a part of its vision of creating a society where people can come together regardless of ability and share their accomplishments and struggles. We employ people with disabilities, mainly through our subsidiary Business Partners to help clean office buildings, make and sell hand-made packs under the Tanpopo no Oka brand. A portion of these proceeds are donated to the Special Olympics Nippon Foundation (SON).

Operation of "Asahi", An Employment Support Facility for People with Disabilities

Business Partners started operation of "Asahi", an employment support facility for people with disabilities. In this facility, we continue employment support for people with disabilities in accordance with their life stages.

Number of employees with disabilities^{※3}
As of 31 March 2018

206 employees

※3 Calculated based on the Group in Japan



Direction of Specific Measure

Enhancing Human Resources' Skills Through Training

The strength of the Group's human resources is a reflection of its ability to train employees. We have built an innovative training system through years of experience, a core competence that cannot be easily duplicated by rivals.

Three Pillars of Human Resources Training

The Group's human resources training system revolved around three major pillars comprising education and training, on-the-job training, and the Jinsei Daigaku (University of Life) program. By strengthening our human resources through human resources training unique to the Group, we aim to create a driving force for value creation and sustainable growth.

Personnel Development Power

Human Resources Development

Education and Training



Acquire Business Knowledge (Trigger for Growth)

We have developed our own unique training program, which is conducted about 300 times a year. Each training program is designed for rank and learning outcomes, allowing employees to polish their skills and absorb knowledge through practice, evaluation and correction.

Chain Store Education

Many senior employees at headquarters from mid-tier managers on up take store management classes at seminars held by Pegasus Club, the chain store research organization in Japan.

Cultivate future leaders

We offer future leaders program for candidates.

On-the-Job Training



Improve Business Execution Capability (Ability to Perform)

Employees learn skills while at work through on-the-job training. Every year, a certain number of mid-tier employees are reassigned to the Human Resources Development Department to work as trainers for newly hired employees, helping new recruits learn the skills they need to perform on a face-to-face basis.

Clarification of Objectives and Achievements in Work Certification System

We have a framework in place for employees to set their own objectives for self-improvement, and use a work certification system that clarifies the knowledge, experience and skills necessary for each work position. We offer a full range of support training, from training for passing promotion exams for higher-ranked positions to follow-up training after a promotion is received.

Jinsei Daigaku (University of Life) Program



Pass along corporate culture and develop as a person (growth as an individual)

Jinsei Daigaku (University of Life Program) is a unique educational program designed to convey the corporate culture of the Group. Employees from different departments, ranks and age groups live under the same roof for a while, reading books and engaging in group discussions. While reaffirming our corporate philosophy and vision, employees reflect on their own career plans. Through this process, our corporate culture, nurtured over many long years, is passed down and instilled in each and every employee.

Strengthen development
of human resources

Improve productivity

Cultivate future leaders

Strengthening Human Resources with Ongoing Hiring of College Graduates

We have hired a set number of new graduates, mainly college graduates as candidates for senior positions, every year since 1989, when we began to open locations outside the Tokyo metropolitan area. We have been focusing on training these new recruits. Some of the employees that began their career here 20 years ago have ascended the ranks and become senior department heads and managers of business sites. Moreover, 3 employees have become directors of Dynam.

Large-Scale Training Facilities

The Group has two large-scale training facilities in Japan where employees from across the nation can assemble at the same time for training.

Tenrei 301 Training Center

Situated in the middle of the Izu Plateau, the Tenrei 301 training center is an optimal environment for educational activities surrounded by the greenery of a national park. The recreational facilities of major corporations are concentrated in the surrounding area, and the streets are beautifully arranged.



Marine Pier Toyoura

This facility can accommodate more than 200 people for training and accommodation. The building is in a prime location graced by soft breezes, nestled between the sea and mountains. The four seasons can be enjoyed here year round. Marine Pier Toyoura is an optimal environment for both training and leisure.



Direction of Specific Measure

Creating a Business Environment that Facilitates Work

We intend to create a work environment where anyone can work without hindrance, believing it necessary to improve employee satisfaction and help them maintain a healthy body and mind to invigorate the corporate organization and fully leverage the abilities of every single employee.

Work-Life Balance and Optimizing Work Styles

We take a flexible approach to accommodating the life stages and family structure of each employee, to fully leverage their abilities as human resources. The Group aims to be a place where employees, without regard to gender, can find a balance between work and their families, including marriage, childbirth, child-rearing and caring for their parents. Through various systems and work environment updates, we encourage our employees to strike an appropriate work-life balance.

Ratio of employees returning to work after childcare leave^{※4}
For the year ended 31 March 2018

94.1%

※4 Calculated based on the Group



Action Plan for Act on Advancement of Measures to Support Raising Next-Generation Children

Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, which was enacted in 2015, the Group has formulated and implemented the following action plan.

Action Plan for Act on Advancement of Measures to Support Raising Next-Generation Children (1 February 2015–31 March 2018)

- (1) Objective: Encourage employees to take maternity and paternity leave for raising children after childbirth.
- (2) Objective: Make it easier for employees to take advantage of the existing special vacation systems.
- (3) Objective: Encourage employees to use up their annual paid vacations.

Enhancing Balance Support Systems

The Group has put in place work-life balance systems that go beyond the requirements of laws and regulations. We encourage employees to use all of their annual paid vacation through policies allowing six straight days off and memorial breaks. We also let employees work shorter hours so they can take care of toddlers up until they enter elementary school, and offer nursing care leave for parents until their children have finished their final year of elementary school.



Improving Productivity by Managing Work Hours

In addition to these systems, on a companywide scale, we focus on improving the performance of every single employee during their work hours by reassessing how they work. Such work improvements have also led to a reduction in work hours. Improving work procedures within the constraints of an employee's work hours on a companywide scale also has had the added benefit of preventing excessive work, such as discouraging employees from working overtime without compensation and cutting down on overtime work.

Reducing Employee Workload by Upgrading Hall Equipment

To reduce the amount of detail work performed manually by employees, such as equipment maintenance, we prioritize use of maintenance-free equipment in our pachinko halls to the extent possible. Reducing the workload of employees allows them to interact more with customers and focus on more productive work.

Certified by the Ministry of Health, Labor and Welfare as a Company that Supports Child Raising

Kurumin Mark Obtained

Dynam has been recognized by the Ministry of Health, Labor and Welfare as a company that proactively supports child raising, based on the Law on Advancement of Measures to Support Raising Next-Generation Children with the receipt of the Kurumin Mark on 27 October, 2017. Dynam was recognized for achieving the objectives it set in action plans based on the Law and for allowing both women and men to take leave for raising their children.



Cross-Industry Initiatives 2

Information Exchange Event for Maruhan and Dynam to Consider Future Work Styles in the Pachinko Industry

In September 2017, Dynam and Maruhan Corporation ("Maruhan") joined to exchange information about work style reforms and the promotion of women in the workplace in the pachinko industry, based on the theme, "Considering Future Work Styles in the Pachinko Industry". As the top two companies in the industry, Dynam and Maruhan exchanged information and thought of ways to invigorate the industry with new concepts and synergies. This public event was also open to the media.

By exchanging information at events like this on topics other than work style reforms and promoting women in the workplace, we aim to help invigorate the pachinko industry.



● Promoting Health-Focused Management

The Group is aware that employee health is the starting point for everything else and engages in health-focused management by fostering a culture that puts employee health first in all considerations. The Group maximizes the utilization of external resources, such as the Kantoh Hyakkaten Health Insurance Society of which it is a member, as well as providers that specialize in health consultations. We proactively take steps to promote health through internal and external collaboration.

■ Health Management Initiatives for All Employees

All employees are required to have periodic health checkups. In the fiscal year ended 31 March 2018, 96.6% of our employees took health examinations, and we aim for a 100% health checkup ratio. Employees whose test results are less desirable than normal meet with our in-house healthcare professionals for guidance on how to improve their lifestyles. Moreover, we focus on creating an environment that prioritizes health, such as by encouraging employees to quit smoking.



■ Body and Mind Health Advice Service

With regards to mental health, the DYNAM Group Consultation Office has special nurses on staff to provide health advice while coordinating with external mental health organizations to protect individual privacy. The EAP Consultation Office is also available to employees for mental health care. Our employees undergo periodic stress checks, and can take advantage of systems to help manage their stress.



Health-Focused Management by Effectively Taking Paid Leave

Introduction of Health Support Vacation

In July 2018, Dynam is expanding the scope of scheduled paid leave by introducing health support vacation for employees to take time off for health reasons.

Being able to work with a healthy mind and body is not only important for the continued growth and development of the Company, but also necessary for the happiness of our employees and their families. Dynam decided to introduce health support vacation as a new type of scheduled paid leave for the purpose of creating an environment where employees are more mindful of their health and able to quickly identify and treat any health issues.

Scheduled paid leave is a system for planning paid vacations. By expanding the scope of this system, our intentions are to promote health-focused management and work-style reforms.

● Safe Work Environment

The Group makes every effort to prevent and reduce occupational accidents through its own rules for safety and hygiene management, with the aim of improving safety in the workplace.

■ Measures to Prevent Occupational Injuries and Counter Excessive Work

We fulfill our obligation to file reports about work injuries, and management effectively analyzes the situation and causes of work-related injuries using this information to prevent recurrence. To prevent any adverse health issues arising from employees working long hours, we focus on counting work hours and take steps to prevent excessive work on a companywide scale.

Work-related injuries severity rate^{※5}

For the year ended 31 March 2018

0.05



^{※5} Calculated based on the Group in Japan
The work-related severity rate is calculated by the number of lost work days divided by total working hours multiplied by 1,000. This indicates the severity of labor accidents.

Dialogue with Employees

In 1998, the DYNAM Union was formed as the first labor union in the pachinko industry. Since then, the Group has continued to hold talks with the labor union with the aim of creating a healthy work environment.

Self-Assessment System

Once a year, full-time employees and designated-region employees write a self-assessment report, covering work conditions and individual issues. Each employee reflects on their own career plan and reassesses their goals. By understanding the unique situation of each employee, we are able to more effectively train and allocate human resources.

Discussions with Managers

Once every six months, we create opportunities for managers and their employees to discuss matters, such as setting goals and providing feedback about human resources evaluations. As work issues are identified, managers motivate their employees to perform at the best of their abilities.

Creating a Healthy Work Environment Based on Talks with Labor Union

Through periodic meetings, the DYNAM Union facilitates discussions between management and employees for the purpose of maintaining a healthy work environment. The Work Environment Improvement Committee was established to solicit employees' opinions for creating systems not mandated by laws or regulations, reducing overtime work hours, and encouraging the use of paid vacation.



Number of labor-management meetings held^{※6}
For the year ended 31 March 2018

23 times



Number of Work Environment Improvement Committee meetings held^{※7}
For the year ended 31 March 2018

28 times



※6, 7 Calculated based on the Group in Japan

Labor and Management Work Style Reform Initiatives

Proactive Disclosure of Work Hours to Improve Work Conditions Further with Release of Average Monthly Overtime Hours

Dynam has committed to having management and labor work together on improving work conditions. While preventing excessively long work hours, we are taking steps to properly manage overtime, including the management of working hours down to the minute. Last fiscal year, Dynam began releasing average monthly overtime hours exceeding the requirement to publish employee overtime planned for 2020, thinking that it would create motivation to reduce overtime hours and fix the custom of working long hours across different industries. In the fiscal year ended 31 March 2018, the average monthly overtime was 3.9 hours for all Dynam employees.

Proper Management of Work Hours

- Management of work hours in one-minute increments
- Possible to punch a time card five minutes before overtime starts
- Check overtime hours against times PCs are turned off and when employees leave buildings

Efforts to Prevent Long Work Hours

- No overtime work days (once a week)
- Utilize variable work hours system
- Reassess shifts by rearranging work
- Send weekly alerts to department managers
- Analyze obstructive factors via on-site interviews and implement improvement measures

Compliance with laws and regulations

We are in compliance with Japanese laws related to labour, including but not limited to compensation and dismissals, recruitment and promotion working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare; safety working environment and protecting employees from occupational hazards.

By returning value to Shareholders, we strive to meet the expectations of our Shareholders while engaging in faithful and highly transparent communications with our Shareholders and investors.

The Group believes maximizing corporate value will ultimately lead to the satisfaction of Shareholder and investor.

To build relationships of trust with our Shareholders and investors, we proactively engage in Investor Relations (IR) activities in line with management policies and rules for information disclosure as outlined in our Charter of Corporate Behavior. Through these activities, we seek to convey the activities of the entire Group to our Shareholders and investors accurately.

We focus on meeting Shareholder expectations by continuing to return value to Shareholders through the reliable payment of dividends as a basic policy.

Direction of Specific Measure

Highly Transparent Communication through Information Disclosure

The Group has been engaged in proactive information disclosure from even before its listing on the Hong Kong Stock Exchange and has continued to build relationships of trust with Shareholders and investors by enhancing the transparency of management.

Proactive

The Company holds results briefings twice a year in Hong Kong and Tokyo for financial analysts and institutional investors. We also entertain requests for follow-up interviews and small meetings at any time, while also inviting foreign investors to Japan for explanatory meetings and tours of our facilities. Management continues to engage in direct communications with investors by participating in conferences for individual investors that are sponsored by securities firms in Japan.

Key IR Engagements (Fiscal Year Ended 31 March 2018)

Results briefings	2 times (in Hong Kong and Tokyo), once for full-year results and once for interim results
Meetings with individual investors	8 times
Meetings with foreign investors	6 times (Held in Tokyo, Osaka, Sapporo and Fukuoka)

Top Management Participation in IR Activities

Opportunities are created for top management to explain the Company's performance and forward-looking strategies directly to institutional investors and financial analysts, when we make announcements for the annual results and interim results twice a year.

In addition, we aim to deepen the public's understanding on the Company through dialogues with financial analysts and the news media in small meetings where top management, Directors in charge of various departments, and executive officers explain our operations.



Communication with Shareholders and Investors

We take special care to promptly and fairly disclose information while proactively disseminating information. To disseminate IR information from the standpoint of fair disclosure promptly and openly, we have created an IR section on our website to publish earnings results, financial data and other information in English, Japanese and Chinese.



Direction of Specific Measure

Meeting Shareholders' Expectations through Returns to Shareholders

Management believes in the importance of returning to Shareholders some of the profits generated through the Group's business activities. By providing a reliable stream of cash returns to Shareholders, we hope to meet their expectations and build relationships of trust.

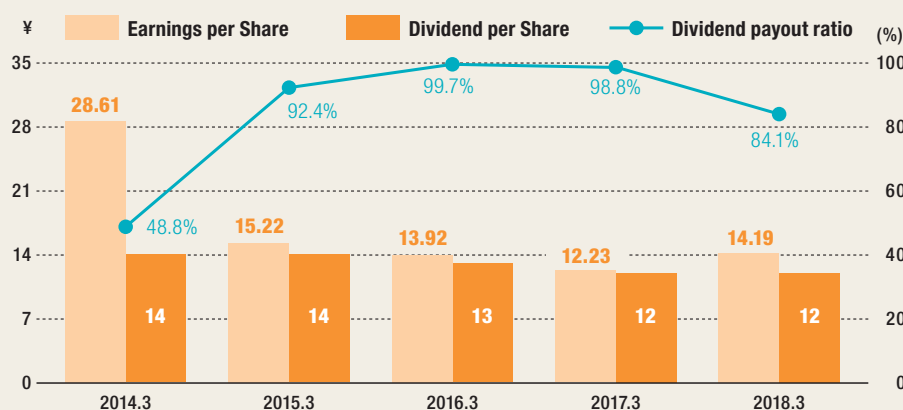
Consistent Payment of Stable Dividends

The Company focuses on the consistent payment of stable dividends as its basic policy for distributing profits to Shareholders.

For the fiscal year ended 31 March 2018, we decided to distribute a year-end dividend of ¥6 per Share in accordance with our stable dividend policy.

Combined with the interim dividend of ¥6 per Share, the total annual dividend is ¥12 per Share for a dividend payout ratio of 84.1%.

Dividend per Share and dividend payout ratio



Selected for Inclusion in the Hang Seng Foreign Companies Composite Indexes on the Hong Kong Stock Exchange

Since 2013, the Company's Shares have been selected for inclusion in the Hang Seng Foreign Companies Composite Indexes (HSFCCI) on the Hong Kong Stock Exchange.

The HSFCCI consist of stocks with average annual market capitalizations of at least HK\$3.0 billion selected from among the foreign securities traded on the Hong Kong Stock Exchange.

As of 31 March 2018, 12 foreign stocks, including the Company, have been selected for inclusion in HSFCCI.



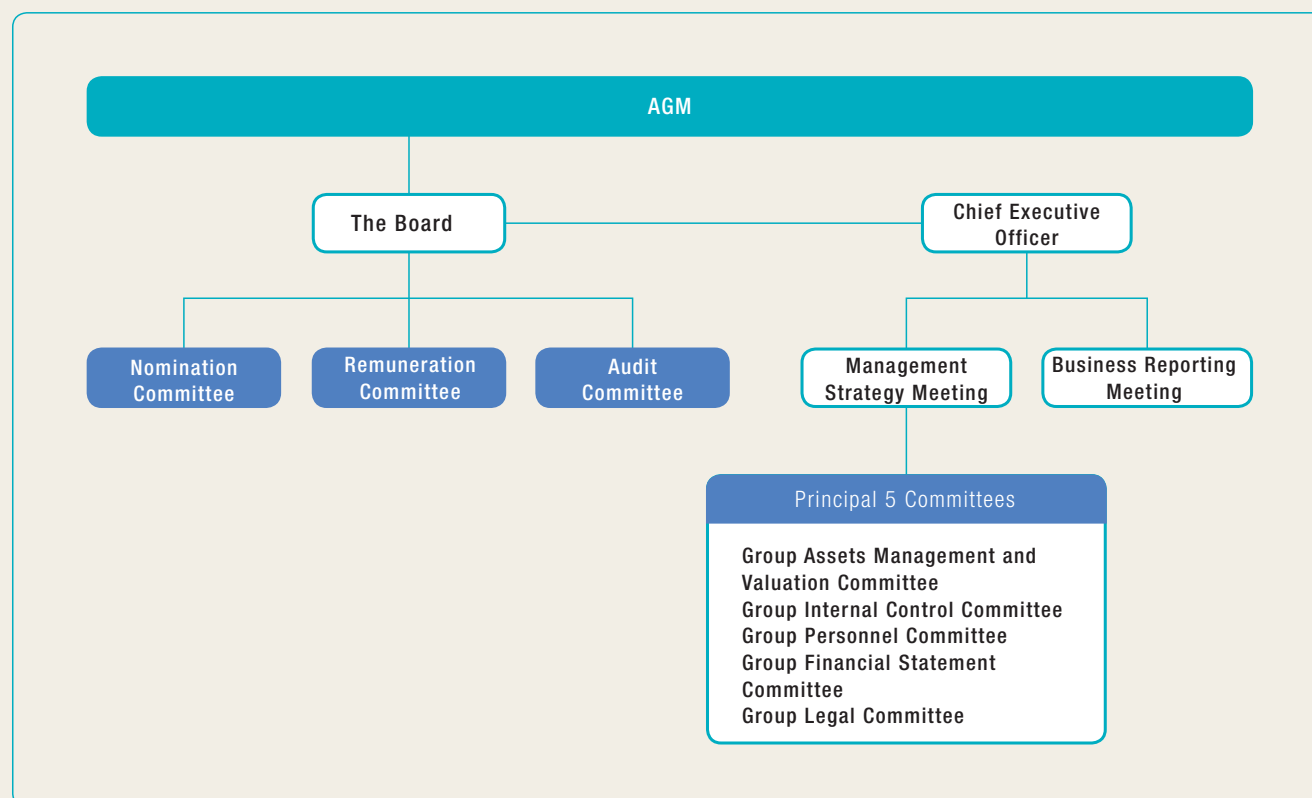
Governance

- Overview of Our Corporate Governance
- Initiatives for Risk Management
- Initiatives for Compliance

The Group Corporate Governance System for Our Sustainable Development

The Group has built a corporate governance system to appropriately manage decision-making and execution of duties as a corporate enterprise.

We believe that meeting the expectations of various trusted associates (stakeholders), such as local communities, business partners, employees, Shareholders, and investors, through appropriate decision-making and execution of duties will raise the Company's value for each of these people, which will drive comprehensive enhancement of our corporate value.



Institutional Design

As an institutional design, the Group has chosen to become a company with a nomination committee, etc., and has established three committees: the Nomination Committee, the Remuneration Committee, and the Audit Committee.

The Group has also adopted an executive officer system to clarify management decision-making and supervisory functions, and execution of duty functions. Decision-making and supervisory functions are conducted by the Board of Directors and the individual directors who comprise the Board, while the execution of duties is conducted by executive officers.

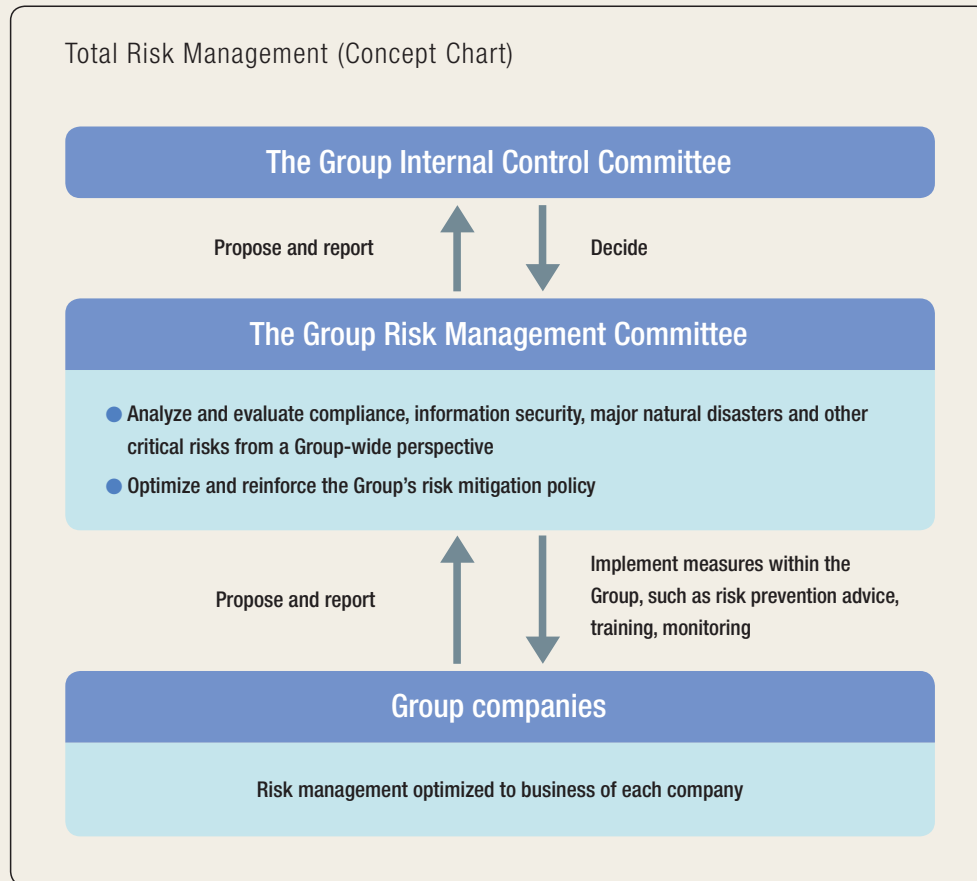
Execution of duties at Group companies and items for discussion are reported on and discussed at business report meetings.

A system is in place whereby progress on duties and matters to be addressed for each specific function are reported and discussed at the management strategy meeting and its five main subcommittees.

For details of the Group's corporate governance, please refer to the Corporate Governance Report section in the Annual Report.

Total Risk Management Structure

Each company of the Group independently manages the risk of its operational execution. Meanwhile, the Group has established the Group Risk Management Committee. This Committee takes initiatives from a Group-wide perspective to resolve issues related to risks of the overall Group.



Initiatives Taken by the Group Risk Management Committee

The Group has established a Group Risk Management Committee, a committee set up under the Group Internal Control Committee, to strengthen the risk management of the overall Group. The Group Risk Management Committee analyzes and evaluates compliance, information security, large-scale disasters, and other important risks from the vantage point of risks against the overall Group. It also strives to strengthen measures against risks from the perspective of the optimization of the Group.

Crisis Management

In addition to the initiatives that are designed to prevent the occurrence of risks, it is also important for a company to develop crisis management to deal with a crisis, should it take place. The Group has established a structure in which the Group Risk Management Committee can promptly make decisions, provide information and take specific steps even at a time when a crisis takes place. The basic policy of crisis management is to place the priority on the safety and confidence of customers and other partners in trust, take steps to prevent the reoccurrence of risks, and maintain relevant records.

● Prepare and practise BCP to enable response during emergencies

Over the past few years, Japan has experienced natural disasters with greater frequency, including a massive earthquake.

In the event of a crisis situation, establishing a framework to practice our BCP (business continuity plan) is an issue designed to minimize damage to our business assets and enable continuation of core operations or restoration of them as quickly as possible. Ensuring a BCP can be implemented in an emergency is an urgent issue.

The Group Risk Management Committee takes the lead in keeping manuals up to date and periodically conducting training to keep the entire Group in a state of readiness.

■ Set up an emergency response center, quickly gather information and respond appropriately to the situation

In the fiscal year ended 31 March 2018, some of our pachinko halls were damaged in the April 2016 Kumamoto Earthquake and the October 2016 Tottori Earthquake. Immediately after these major earthquakes, we set up an emergency response center to accurately assess the damage. We then examined and discussed what measures needed to be taken, and quickly moved to the implementation stage. We were able to resume operations within one week and provide assistance to people in regions affected by the natural disasters.

■ Backup plan for our data centers

The Group has its own data centers that house servers, networking equipment and other IT equipment. By having data centers with identical functions in two locations in Japan, we are able to maintain a network that is constantly backed up in case of an emergency.

■ Alternative facility for headquarters functions

The Group keeps up-to-date disaster manuals and conducts emergency response center training so that in the event of headquarters functions being impaired, our offices in other region can take over as an alternative headquarters and function as an emergency response center.

■ Emergency communications network for all employees

In the event of a major earthquake, we have put in place an automated safety confirmation system as a part of our Disaster Communications System for employees working in regions susceptible to an earthquake with an intensity of lower 6 on the Japanese scale of 7. Four times a year, we conduct training on the safety confirmation system based on various emergency scenarios through the Disaster Communications System.

● Strengthening risk financing

The Group is aware of the importance of risk financing as a capital reserve in the event of losses stemming from the materialization of risks in an emergency situation.

■ Commitment line of ¥15,000 million for earthquake response

Dynam has a commitment line agreement with a syndicate of banks for use in the event of an earthquake. Under a traditional commitment line, there were some lingering concerns about being able to secure funds, because financial institutions could invoke an exception clause for major natural disasters. By obtaining a commitment line specifically for use after an earthquake, we have a method for rapidly raising funds within the framework of the agreement in the event of an earthquake or other natural disaster.

This commitment line is a revolving credit facility with an upper limit of ¥15,000 million.

Initiatives for Compliance

We take steps to develop organization and a corporate culture that prioritize compliance, to ensure that it meets the expectations of customers and society and fulfills its corporate social responsibilities.

● The Group Charter of Corporate Behavior represents the corporate behavior and commitment that are shared by all employees.

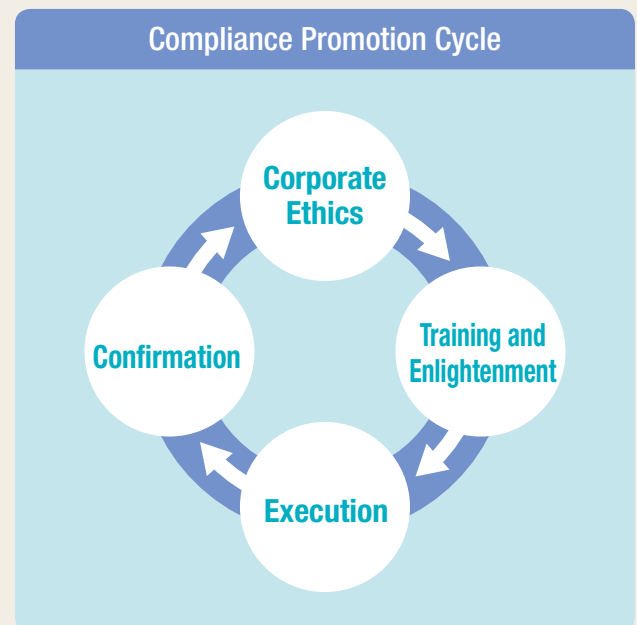
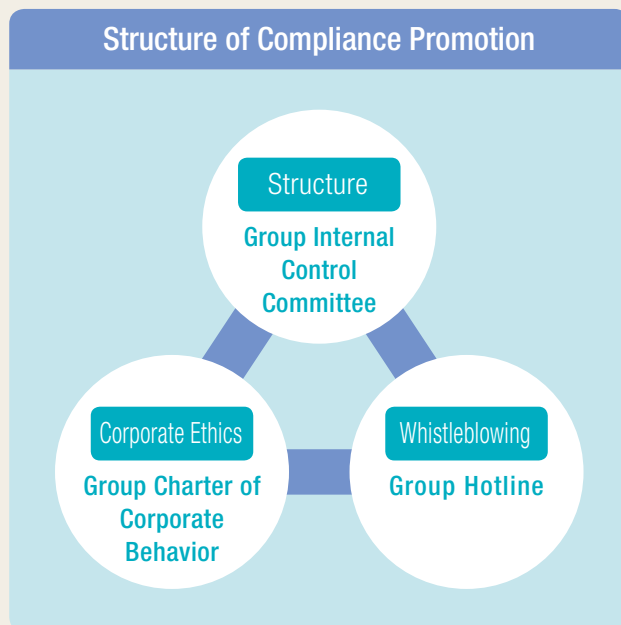
The reason for existence of a company is to achieve sustainable growth in line with the expectations of stakeholders, including shareholders, managers, employees, partners, financial institutions and customers, and to achieve a scale and a level of reliability that enable it to contribute to society. All employees of the Group share this principle.

To ensure that it can continue to conduct its business without compromising that trust, the Group has adopted new internal control systems to improve its operations. These systems also continually clarify and eliminate factors that have the potential to lead to misconduct or violations of laws and regulations.

● Compliance Promotion Structure Rooted in Actual Operation

A Group Internal Control Committee has been established to develop and manage a structure that promotes compliance from an inter-Group perspective.

The Group Internal Control Committee examines policies related to the Group's compliance management and execution plans of internal control, and monitors progress in the development of compliance and internal control structures.



Establishing a hotline to identify promptly and solve issues

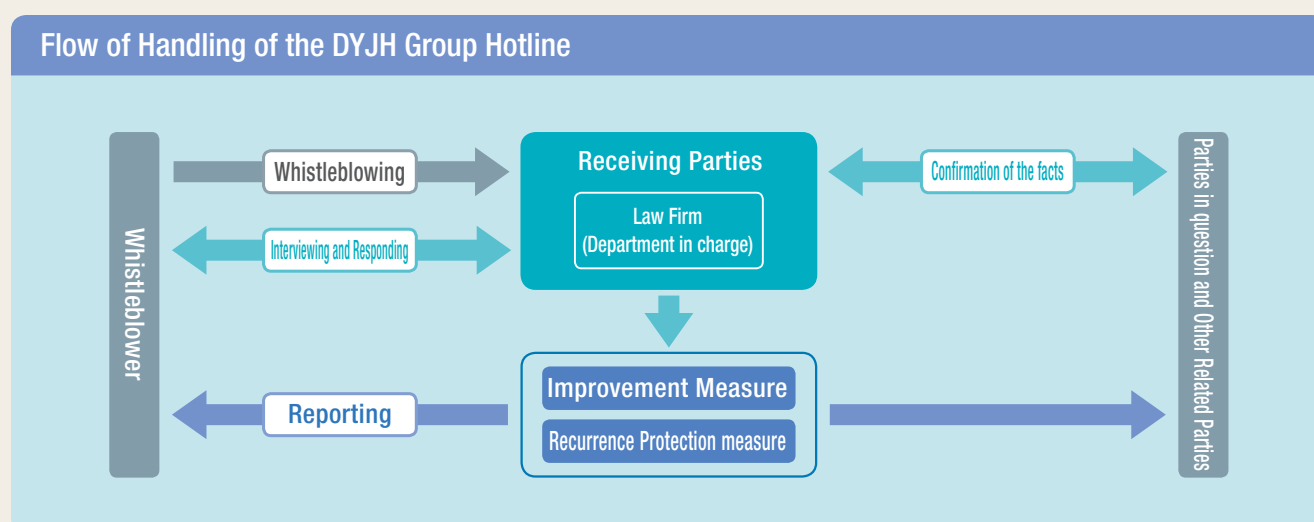
In principle, employees of the Group are to report and consult with their managers when they become aware of activities that violate the Group Charter of Corporate Behavior. However, to promptly identify and solve such issues that are difficult to report or consult internally, a DYJH Group Hotline (a whistleblowing system) has been established using an external law firm and is available to all Group companies.

Not only the Group's employees, but also other workers, such as dispatched workers and contractors, as well as all family members of the employees, including those of dispatched workers, are encouraged to use the hotline to report activities that violate the Group Charter of Corporate Behavior or that may potentially create problems in the future.

Each issue that is presented through the hotline is examined by attorneys and the departments of the Group companies in charge, while carefully protecting the privacy of all related parties. If any particular problems are found, those in charge will take actions such as issuing improvement orders, and confirm later that the problems have been resolved and that full measures to prevent any recurrence have been carried out. They also report the matter to the Audit Committee.

Protection of Whistleblowers

As the Group established a hotline, under its internal rules, it prohibits whistleblowers from being treated unfairly. It has also established Whistleblowing Rules that state such obligations as following up on whistleblowers after the incidents to thoroughly enforce the rules for protecting whistleblowers.



Thorough Implementation of Fair Business Activities

The basic premise of the operations of the Group is to comply with laws and regulations, including the Law on Control and Improvement of Amusement Business (the Amusement Business Law), and to carry out fair business activities. Accordingly, the Group has developed operating manuals for its operation sites, and revises and manages these manuals to respond to revisions in laws and changes in the business environment.

The Group also strives to ensure that all halls nationwide comply with the related laws and regulations by establishing information sites related to regulations concerning sales methods and advertising restrictions, and publishing guidelines.

Moreover, the Group makes its best efforts to raise awareness and knowledge about compliance by publishing Rules on Compliance with the Anti-Monopoly Act, Rules on the Prevention of Unfair Competition Concerning Trade Secrets, Rules on the Prevention of Insider Trading, and other rules on the internal intranet site.

Prohibition of Bribery and Other Activities to Ensure the Transparency of Business Activities

The Group confirms in the Group Charter of Corporate Behavior that the Group will develop legally, socially, and ethically sound, reasonable, and equal relationships with business partners to ensure that it can economically grow together with its business partners and in compliance with laws and regulations on prevention of bribery, extortion, fraud and money laundering. Furthermore, the Group prohibits its employees from receiving or offering entertainment or gifts from or to organizations, companies, individuals, or any other parties, and ensures that they maintain a sound and transparent relationship with such parties in compliance with laws and regulations.

Report Disclosure Indexes

Hong Kong Stock Exchange

Environmental, Social and Governance Reporting Guide (Appendix 27 of Listing Rules)

Core Issues		General disclosure / Index		Page
A. Environmental				
A1. Emissions	General disclosure	a	Policies relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.	19–22
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.	22
	Index	A1.1	The types of emissions and respective emissions data.	19
		A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	19
		A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 1
		A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 1
		A1.5	Description of measures to mitigate emissions and results achieved.	19–22
		A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	19–22
A2. Use of resources	General disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	12–13, 19–22
		A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	19–22
	Index	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Note 1
		A2.3	Description of energy use efficiency initiatives and results achieved.	19
		A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	19
		A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	N/A
A3. The environment and natural resources	General disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources.	12–13, 19–22
	Index	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	19–22
B. Social				
Employment and Labour Practices				
B1. Employment	General disclosure	a	Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	34–39
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	38–39
	Index	B1.1	Total workforce by gender, employment type, age group and geographical region.	34–35
		B1.2	Employee turnover rate by gender, age group and geographical region.	Note 1
B2. Health and Safety	General disclosure	a	Policies relating to a safe working environment and protecting employees from occupational hazards.	38
		b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to a safe working environment and protecting employees from occupational hazards.	38
	Index	B2.1	Number and rate of work-related fatalities.	38
		B2.2	Lost days due to work injury.	Note 1
		B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	34–39

Core Issues		General disclosure / Index		Page	
B3.	Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	36	
		Index	B3.1	The percentage of employees trained by gender, employee category (e.g. senior management, middle management, etc.).	Note 1
			B3.2	The average training hours completed per gender, employee by employee category.	Note 1
B4.	Labour Standards	General disclosure	a	Policies relating to preventing child and forced labour.	Note 2
			b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Note 2
		Index	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Note 2
			B4.2	Description of steps taken to eliminate such practices when discovered.	Note 2
Operating Practices					
B5.	Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	32–33	
		Index	B5.1	Number of suppliers by geographical region.	32–33
			B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	32–33
B6.	Product Responsibility	General disclosure	a	Policies relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	24–27
			b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	24
		Index	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
			B6.2	Number of products and service related complaints received and how they are dealt with.	Note 1
			B6.3	Description of practices relating to observing and protecting intellectual property rights.	Note 1
			B6.4	Description of quality assurance process and recall procedures.	N/A
			B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Note 1
B7.	Anti-corruption	General disclosure	a	Policies relating to bribery, extortion, fraud and money laundering.	46–47
			b	Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	46–47
		Index	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	NIL
			B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	46-47
Community					
B8.	Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	14–15, 28–30	
		Index	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	28–30
			B8.2	Resources contributed (e.g. money or time) to the focus area.	28–30

Notes:

1. We consider upgrading disclosure of information and statistics for this item as necessary in light of materiality of its impact on environment, society and our business.
2. From an international standpoint, the Group is expected to address social issues including regional environmental pollution and the inhumane treatment of labor, such as coerced and child labor. The Group is fully aware of these international expectations and actions prohibited by law in Japan, and will never engage in a transaction that violates corporate ethics. We have not encountered any violations of the law, including our business partners in Japan.

GRI G4 Sustainability Reporting Standards

No.	Page/Omissions
Strategy and Analysis	
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G4-2	Annual Report
Organizational Profile	
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G4-4	Annual Report
G4-5	54
G4-6	8
G4-7	Annual Report
G4-8	Annual Report
G4-9	4–7, 8/Annual Report
G4-10	6–7
G4-11	34–39
G4-12	32–33
G4-13	N/A
G4-14	44–47
G4-15	N/A
G4-16	N/A
Identified Material Aspects and Boundaries	
G4-17	Annual Report
G4-18	10–17
G4-19	10–17
G4-20	10–17
G4-21	32–33
G4-22	N/A
G4-23	N/A
Stakeholder Engagement	
G4-24	14–15
G4-25	14–15
G4-26	14–15
G4-27	14–15
Report Profile	
G4-28	2
G4-29	2
G4-30	2
G4-31	54
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G4-38	43/Annual Report
G4-39	Annual Report
G4-40	Annual Report
G4-41	Annual Report

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G4-46	Annual Report
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G4-50	N/A
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G4-52	Annual Report
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G4-55	N/A
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G4-EC1	Annual Report
G4-EC2	N/A
G4-EC3	Annual Report
G4-EC4	N/A
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G4-EC5	34–39
G4-EC6	N/A
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G4-EC7	N/A
G4-EC8	N/A
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G4-EN3	19–22
G4-EN4	19–22
G4-EN5	19–22
G4-EN6	19–22
G4-EN7	19–22
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G4-EN9	N/A
G4-EN10	N/A
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G4-EN11	N/A

No.	Page/Omissions
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G4-EN13	N/A
G4-EN14	N/A
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G4-EN15	N/A
G4-EN16	19–22
G4-EN17	N/A
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G4-EN19	Note 1
G4-EN20	N/A
G4-EN21	N/A
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G4-EN22	N/A
G4-EN23	Note 1
G4-EN24	N/A
G4-EN25	N/A
G4-EN26	N/A
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G4-EN28	19–22 Note 1
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G4-HR2	34–39
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G4-S08	N/A
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G4-PR2	N/A
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G4-PR3	N/A
G4-PR4	N/A
G4-PR5	24–30
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G4-PR6	N/A
G4-PR7	N/A
Customer Privacy	
G4-PR8	N/A
Compliance	
G4-PR9	N/A

Notes

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In this CSR Report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“AGM”	annual general meeting of the Company
“Annual Report”	annual report of the Company for the financial year ended 31 March 2018 published on 29 May 2018
“Beijing GEO”	Beijing GEO Coffee Co., Ltd., a company incorporated in the PRC with limited liability. Beijing GEO is a subsidiary held as to 100% through Dynam Hong Kong by the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Partners”	Business Partners Co., Ltd., a stock company incorporated in Japan with limited liability. Business Partners is a wholly-owned subsidiary of the Company
“Cabin Plaza”	Cabin Plaza Co., Ltd., a stock company incorporated in Japan with limited liability. Cabin Plaza is a wholly-owned subsidiary of the Company
“Companies Act”	the Companies Act of Japan (Act No. 86 of 2005, as amended)
“Company”	DYNAM JAPAN HOLDINGS Co., Ltd., a stock company incorporated in Japan with limited liability
“Director(s)”	the director(s) of the Company
“Dynam”	DYNAM Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam is a wholly-owned subsidiary of the Company
“Dynam Business Support”	Dynam Business Support Co., Ltd., a stock company incorporated in Japan with limited liability. Dynam Business Support is a wholly-owned subsidiary of the Company
“Dynam Hong Kong”	Dynam Hong Kong Co., Ltd., a stock company incorporated in Hong Kong with limited liability. Dynam Hong Kong is a wholly-owned subsidiary of the Company
“Erin International”	Erin International Co., Ltd., a company incorporated in Mongolia with limited liability. Erin International is held as to 87.61% by the Company through Dynam Hong Kong
“Genghis Khan”	Genghis Khan Travel Co., Ltd., a stock company incorporated in Japan with limited liability. Genghis Khan is held as to 100% by the Company through Dynam Business Support

“Group” or “DYJH Group”	the Company and its subsidiaries at the relevant time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Japan Real Estate”	Japan Real Estate Co., Ltd., a stock company incorporated in Japan with limited liability. Japan Real Estate is held as to 100% by the Company through Yume Corporation
“Kanto Daido”	Kanto Daido Selling Co., Ltd., a stock company incorporated in Japan with limited liability. Kanto Daido is held as to 100% by the Company through Dynam Business Support
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Nihon Humap”	Nihon Humap Co., Ltd., a stock company incorporated in Japan with limited liability. Nihon Humap is a wholly-owned subsidiary of the Company
“P Insurance”	P Insurance Co., Ltd., a stock company incorporated in Japan with limited liability. P Insurance is held as to 100% by the Company through Dynam Business Support
“PRC”	The People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
“Reporting Period”	the period from 1 April 2017 to 31 March 2018
“Rich-O Korea”	Rich-O Korea Co., Ltd., a company incorporated with limited liability in South Korea. Rich-O Korea is held as to 100% by the Company through Dynam Hong Kong
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder”	holder(s) of the issued Share(s)
“Yume Corporation”	Yume Corporation Co., Ltd., a stock company incorporated in Japan with limited liability. Yume Corporation is a wholly-owned subsidiary of the Company

Share Capital	¥15,000 million
Number of employees (Consolidated)	18,077 employees
The numbers of the Company's shares issued	765,985,896 shares
Stock Exchange Listing	Hong Kong Stock Exchange
Headquarters and Registered Office	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
Corporate Website	www.dyjh.co.jp
Investor Relations	E-mail: info@dyjh.co.jp
Stock Code	06889
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Legal Advisor as to Hong Kong Law	Deacons Li, Wong, Lam & W.I.Cheung
Principal Legal Advisor as to Japanese Law	Soga Law Office
Auditors	PricewaterhouseCoopers Aarata LLC (Certified Public Accountants)
Principal Bankers	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation



株式会社ダイナムジャパンホールディングス
DYNAM JAPAN HOLDINGS Co., Ltd.*