



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)

AUDIT COMMITTEE

Terms of Reference

Approved by the Board on 27 November 2014

Note: This is an English translation and in case of any discrepancies between the Japanese original version and the English translation, the Japanese original version shall prevail.

I. Charter

The Board of directors (the “**Board**”) of 株式会社ダイナムジャパンホールディングス (DYNAM JAPAN HOLDINGS Co., Ltd.*) (the “**Company**”) has resolved to adopt new terms of reference, the form of which is set out below, for its Audit Committee (the “**Committee**”) established on 20 September 2011 in substitution for and to the exclusion of the existing Audit Committee Regulations with effect from the date hereof.

* *for identification purpose only*

II. Composition of the Committee

- A. The Committee shall consist of at least three directors approved by the Board, at least one of whom being an independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise in compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**,” including any revisions thereof), and a majority of which shall be independent non-executive directors. All members of the Committee must be non-executive directors.
- B. The term of members of the Committee shall be one year.
- C. A former partner of an audit firm currently acting as the Company’s independent auditor, who is also a non-executive director of the Company, shall be prohibited from acting as a member of the Committee for a period of one year from the date on which he/she ceased (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

III. The Committee Chairman

- A. The Board shall appoint the Chairman of the Committee (the “**Committee Chairman**”) from among those members thereof who are independent non-executive directors, and the term of service of the Committee Chairman will be determined by the members of the Committee. The Chairman of the Board shall not be eligible to be appointed as Committee Chairman. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves who is an independent non-executive director to perform the duties thereof as a substitute.
- B. The Committee Chairman shall attend the annual shareholders’ meetings of the Company to answer questions from the shareholders of the Company (the “**Shareholders**”) on matters within the scope of duties of the Committee.

IV. The Secretary

The company secretary of the Company, or his/her nominee, shall act as the secretary of the Committee (the “**Secretary**”).

V. Proceedings

Unless otherwise provided for separately herein, meetings and proceedings of the Committee shall be governed by the Company’s articles of incorporation and other internal rules regulating the meetings and proceedings of the Board as adopted thereby from time to time.

VI. Quorum

The quorum for resolutions of the Committee shall be the majority of the members of the Committee capable to vote or any higher proportion as prescribed by the Board from time to time. A duly convened meeting of the Committee which is quorate shall have the power to exercise all or any of the powers, authorities or discretions vested in or exercisable by the Committee.

VII. Attendance at Meetings

- A. Only members of the Committee and the Secretary shall have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board and the executive officers, directors, auditors, independent auditors, heads of finance, risk and compliance managers, employees such as internal audit personnel affiliated to finance sections of the Company or any subsidiary thereof, or external adviser or any other individual may be invited to attend all or part of the meetings of the Committee, as requested thereby.

- B. The meeting of the Committee may, where necessary, be attended by individuals other than Committee members to listen to the information and opinions purveyed thereat. Any executive officer, director, auditor, independent auditor, employee, etc. of the Company or any subsidiary thereof requested to attend a meeting by the Committee shall explain any relevant matter at the request of the Committee for clarification purpose.
- C. Formal meetings of the Committee may be held by telephone or other communication equipment which allows those participating to hear and speak to each other.
- D. The independent auditor shall be requested to attend meetings of the Committee on a regular basis.

VIII. Frequency of Meetings

The Committee may meet at any time on an as-required basis. However, the Committee must meet at least two times a year in accordance with the important dates in the reporting and audit cycle of the Company and otherwise as required. The Committee Chairman or any other member may convene a meeting of the Committee whenever he or she considers it necessary or desirable.

IX. Notice of Meetings

- A. Meetings of the Committee may be convened by any of its members.
- B. Unless otherwise agreed upon separately, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be sent to each member of the Committee, any other person required to attend and all other independent non-executive directors, no later than seven business days before the date of the meeting. Reference material shall be sent with such notice to Committee members and to other attendees as appropriate.

X. Minutes of Meetings

- A. The Secretary shall draft the minutes of the proceedings and resolutions of all meetings of the Committee, including recording the names of those in attendance and obtain the signature or seal impression of each member in attendance.
- B. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and record the same accordingly.
- C. Full minutes of meetings shall be kept by the Secretary. Draft and final versions of minutes of the meetings shall be sent to all members of the Committee for their comment and to all members of the Board for the purpose of record-keeping, within a reasonable time after the meeting.

XI. Duties

1. The Committee shall carry out the following duties.

A. Relationship with the independent auditor of the Company

A.1.1 to be primarily responsible for making recommendations to the Board and the Shareholders on the appointment, re-appointment and removal of the independent auditor; and to be primarily responsible for approving the remuneration and term of engagement of the independent auditor, and handling any question regarding the resignation and dismissal of the independent auditor;

A.1.2 to review and monitor the independent auditor's independence and the objectivity and effectiveness of the audit process in accordance with all applicable standards. The Committee should also discuss with the independent auditor the nature and scope of the audit and reporting obligations before the audit commences; and

A.1.3 to develop and implement rules on engaging an independent auditor to provide non-audit related services. For this purpose, the term "independent auditor" shall include any audit firm and any entity that is under common control, ownership or management therewith or any entity that a reasonable and informed third party knowing all relevant information would conclude to be part of the audit firm nationally or internationally. The Committee shall report to the Board, identifying and making recommendations on any matter where action or improvement is needed;

B. Review of the Company's financial information

B.1.1 to monitor the integrity of the Company's financial statements and annual report, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:

B.1.1.1 any change in accounting policies and practices;

B.1.1.2 major judgmental areas;

B.1.1.3 significant adjustments resulting from audits;

B.1.1.4 the going concern assumptions and qualifications;

B.1.1.5 compliance with accounting standards; and

B.1.1.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;

B.1.2 Regarding B.1.1 above:

B.1.2.1 members of the Committee shall liaise with the Board and senior management and the Committee, together with the Company's independent auditors, shall meet, at least twice a year, with the Company's auditors; and

B.1.2.2 the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's qualified accountants, compliance officers, auditors or other staff members responsible for the accounting and reporting functions;

C. Oversight of the Company's financial reporting system and internal control procedures

C.1.1 to review the Company's financial controls, internal control and risk management systems;

C.1.2 to discuss the internal control system with management to ensure that the same fulfills its duty to maintain an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

C.1.3 to consider any major findings of studies on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

C.1.4 where internal audit functions exist, to ensure cooperation between the internal and independent auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness thereof;

C.1.4.1 Cooperation with the internal audit team of the Company

(1) the Committee shall maintain close contact with the internal audit team of the Company and its subsidiaries (the "**Internal Audit Team**") to enable organised and effective oversight of the operations and financial conditions of the Company and its subsidiaries, as well as any other audit tasks;

(2) the Committee may provide additional instructions and other assistance to the Internal Audit Teams upon receipt of a report from the same regarding any particular audit conducted thereby which, in the opinion of the Committee, requires verification; and

(3) where an audit support staff has provided instructions to the Internal Audit Teams or have received reports from the same, or under other similar circumstances, the Committee shall formulate a system whereby such audit support staff shall report to the Committee on the status and details of the relevant circumstances in a timely and appropriate manner;

C.1.5 to review the financial and accounting policies and practices of the Company and its subsidiaries;

C.1.6 to review the independent auditor's management letter and any material queries raised by the independent auditor to management about accounting records, financial accounts or systems of control and management's response thereto;

C.1.7 to ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter;

C.1.8 to report to the Board on the matters set out in section XII of these terms of references; and

C.1.9 to consider other matters, as indicated by the Board;

D. Relationship with the employees of the Company

D.1.1 to review the whistleblower systems or other similar arrangements of the Company that the employees of the Company can, on a confidential basis, raise concerns about possible improprieties in financial reporting, internal control or other matters in order to ensure that proper systems are in place for fair and independent investigation of such matters and for appropriate follow-up action; and

D.1.2 to act as the key representative body that oversees the Company's relationship with its independent auditor;

E. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the independent auditor, the Company shall include in its corporate governance report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

- F. The Committee shall obtain financial statements and business reports from the Company's executive officers and audit reports from the Company's independent auditor.
- G. The Committee shall, after reviewing the audit reports received from the Company's independent auditor and the business reports from the Company's executive officers, prepare an audit committee report and deliver the same to the Company's executive officers and independent auditor.

G.1 The audit committee report referred to in G above shall include:

- (1) where the methodology used or the results achieved by the independent auditor is deemed to be inappropriate, an overview of such methodology and results, the reasons for deeming the same as inappropriate and the relevant details thereof;
- (2) an overview of the methodology used for non-accounting-related tasks;
- (3) where any matter resolved by the Board is deemed to be inappropriate, the reasons for deeming such matter as inappropriate;
- (4) a statement as to whether the business reports have accurately reflected the Company's conditions pursuant to any applicable laws and regulations and the Company's articles of incorporation and the details thereof; where any dividend declared is deemed to be inappropriate in light of the Company's financial and other conditions, the reasons for deeming such dividend as inappropriate and the details thereof; where the Committee is unable to make any assessment on the Company's audit, the relevant details and reasons;
- (5) the details of any missing items that should have appeared in the Company's accounting ledgers, balance sheets, income statements or business reports, as well as any false statements and inconsistencies contained in these documents;
- (6) details of any illegal acts or material non-compliance with any applicable laws and regulations or the Company's articles of incorporation in relation to the execution of duties by the Company's directors or executive officers; and

- (7) where business reports with respect to the Company's subsidiaries have been requested to be issued or where examinations have been conducted on the operations and financial conditions of the Company's subsidiaries, the details of such business reports and the methodology and outcome of such examinations;

G.2 Members of the Committee may add their own opinions to their audit reports.

G.3 Members of the Committee may sign on the audit reports and affix their seal thereon.

H. any other tasks as authorized or delegated by the Board.

XII. Reporting Responsibility and Right to Seek Injunctions

- A. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within the scope of the duties and responsibilities of the Committee.
- B. The Committee shall make all recommendations to the Board that it deems appropriate on any area within its scope of duties where action or improvement is deemed necessary.
- C. The Committee shall report to the Board without undue delay in the event that it has come to its attention that any of the Company's directors or executive officers has engaged in, or are likely to engage in, misconducts that are actually or potentially in violation of the Company's articles of incorporation, or any applicable laws and regulations in Hong Kong and Japan.
- D. The members of the Committee may demand an executive officer or director to cease and desist any act that actually or potentially violates the Company's articles of incorporation, or any applicable laws and regulations in Hong Kong and Japan, in case where such act may cause material damages to the Company.

XIII. Authority

The Committee is authorised:

- A. to seek any information it requires from any employee of the Company or its subsidiaries in order to perform its duties unless the relevant subsidiaries are reasonably justified not to provide such information under Article 405, Paragraph 3 of the Companies Act of Japan (Act No. 86 of 2005 of the law of Japan) (the "**Companies Act**");

- B. to obtain, at the Company's expense, external legal or other professional advice on any matter subject to these terms of reference; and
- C. to summon any employee to be questioned at a meeting of the Committee as and when required.

XIV. Litigation between the Company and its Directors and Executive Officers

- A. The Committee may, by resolution, nominate a member thereof to represent the Company in litigation between the latter and any director or executive officer thereof (including former directors and executive officers; the same below). Any person who is a party to such litigation shall not be nominated as a Company representative under this Paragraph.
- B. The Committee member nominated by virtue of the preceding Paragraph shall represent the Company for the following purposes:
 - (1) to receive a request from the Shareholders to initiate litigation proceedings for pursuing liability against a director or executive officer;
 - (2) to approve that demands for initiating the aforementioned legal action be effected electronically; and
 - (3) to receive a notice of an action from the Shareholder(s) under Article 849(3) of the Companies Act or a settlement notice from the court under Article 850(2) of the Companies Act.

XV. Other Matters

- A. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- B. The Committee should make publicly available its terms of reference, explaining its role and the authority delegated to it by the Board.
- C. The Committee should be provided with sufficient resources to discharge its duties.

(Adoption/Revision)

- 1. Adopted on 24 May 2012
- 2. Revised on 20 June 2012
- 3. Revised on 27 November 2012
- 4. Revised on 27 November 2014