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## SUMMARY AND HIGHLIGHTS

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*This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in our Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in our Shares.*

### OVERVIEW

We are the second largest pachinko hall operator in Japan based on the total value of pachinko balls and pachislot tokens rented in 2010 and the largest in terms of number of halls according to Yano Research. We have 45 years of experience in the pachinko industry, and have built our pachinko operations from two halls in one prefecture to 355 halls in 46 out of 47 prefectures in Japan as at 31 March 2012. Pachinko is one of the most popular forms of entertainment in Japan, comprising a ¥19.4 trillion (equivalent to approximately HK\$1.8 trillion) industry that accounted for approximately 28.6% of Japan's entertainment market in 2010.

### Our Business

#### **Games**

Our pachinko halls provide a venue for customers to play two types of games: pachinko and pachislot. Pachinko is similar to a vertical pinball machine and is played by firing small metal pachinko balls in rapid succession into the playing field of the machine and into pockets which trigger the release of more pachinko balls. Playing costs generally range from 0.5 yen to 4 yen per ball. Pachislot is similar to casino slot machines, and is played by spinning the reels on the machine, then stopping them so that the pictures on each reel match, which triggers the release of pachislot tokens. Playing costs generally range from 5 yen to 20 yen per token. Customers rent pachinko balls and pachislot tokens to play the games, and the balls or tokens won can be either exchanged for prizes or saved for subsequent visits.

#### **Prizes**

Consistent with industry practice, we offer both general prizes, which are generally the types of goods sold in convenience stores, such as snacks, drinks and cigarettes, as well as "G-prizes", which are decorative cards with a small embedded piece of gold or silver or coin-shaped pendants of gold or silver. Players who opt to claim G-prizes in exchange for the pachinko balls and pachislot tokens won during play may sell their G-prizes to an independent prize buyer for cash outside of the pachinko hall.

#### **Halls and Chain Store Management**

We have focused on promoting the entertainment, instead of gaming, aspect of pachinko. We operate three types of halls, which offer various mixes of pachinko and pachislot games with different playing costs:

- **Traditional** halls feature a greater proportion of high playing cost games, and allow smoking inside the halls. As at 31 March 2012, we operated 176 traditional halls.

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- **Yuttari Kan** halls offer primarily low playing cost games with a wider variety of general prizes, and generally allow smoking. As at 31 March 2012, we operated 135 *Yuttari Kan* halls.
- **Shinrai no Mori** halls also feature primarily low playing cost games with a wider variety of general prizes, and include additional features such as a general prohibition on smoking with designated closed-off smoking areas, and the addition of a “relaxation space” in which customers can socialise. As at 31 March 2012, we operated 44 *Shinrai no Mori* halls.

We were among the first pachinko hall operators to promote the entertainment, instead of gaming, aspect of pachinko when we introduced low playing cost machines to our halls in 2006. We believe that our development of low playing cost pachinko is key to our continued success in the industry, as this strategy has allowed us to reach out to a broader and previously untapped customer base stemming from a growing trend towards playing pachinko for recreation in addition to winning prizes. This strategy also involves planned geographical expansion to continue to target players in rural/suburban areas.

We utilise a chain-store management strategy whereby the branding, construction, management, and operation of our pachinko halls, as well as the procurement of machines, are standardised to enhance operational efficiency.

### Our Machine Procurement Strategy

As a pachinko hall operator, the primary way in which we attract customers is by frequently updating the pachinko and pachislot machines in our halls. The following procurement strategies enable us to keep pace with changing customer preferences and industry trends while achieving significant cost savings:

- **Established relationships with leading machine suppliers**, allowing us to obtain popular new machines early and at competitive prices.
- **Centralised network of 13 distribution centres** located throughout Japan, allowing us to control the quality and compliance of machines that we purchase.
- **Sourcing from within our own network of pachinko halls**, reallocating and rotating machines in response to regional trends.
- **Development of “private brand” machines**, offering carefully developed machine features and specifications based on information collected from our membership and IT systems in order to tailor our machines to customer preferences and market trends.

### Our Industry

Over the last six decades, pachinko has come to represent an integral part of Japanese culture, with approximately 16.7 million players in 2010. The pachinko industry in Japan is highly fragmented, with over 4,000 operators, and is characterised by a large number of smaller operators and a small number of large operators. As one of only three hall operators with over 100 halls, this competitive landscape presents us with opportunities to leverage our economies of scale to further extend the geographic reach of our operations and grow our business.

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### **Our Regulatory Framework**

The pachinko industry is highly regulated, and we as a pachinko operator are subject to various requirements and restrictions under Japanese law and a high degree of oversight by various Japanese regulatory authorities. In particular, the Amusement Business Law prohibits pachinko hall operators from being involved in the exchange of prizes for cash or securities by either providing cash or securities as prizes or by repurchasing from customers the prizes provided to them. In order to ensure compliance with the Amusement Business Law, the pachinko industry operates in accordance with what is commonly referred to as the “Three Party System”, which requires independence among the pachinko hall operators, prize buyers and G-prize wholesalers in the pachinko industry.

We are also regulated under Amusement Business Law with respect to our machines, including restrictions on:

- payout ratios;
- the value of pachinko balls or pachislot tokens that may be put into play per minute;
- the total number of pachinko balls or pachislot tokens that may be released in various modes, or over a continuous period, of play; and
- adjustments to the settings of the machines once installed in our halls.

We are also subject to Japanese law and regulations that require pachinko operators to obtain operating licenses and impose various operating requirements on pachinko halls and pachinko and pachislot machines, as well as other Japanese law and regulations applicable to Japanese companies generally, such as those relating to corporate governance, taxation and labour.

### **Our Anti-Money Laundering Procedures, Systems and Controls**

Because there are strict regulations and mechanical limitations with respect to the number of pachinko balls or pachislot tokens that can be played as well as released by machines, we believe that money laundering is generally not a concern in the pachinko industry. Furthermore, there are currently no anti-money laundering laws or regulations in Japan that are specifically applicable to the pachinko industry. Nevertheless, we have put in place various measures and policies designed to detect and prevent money laundering activities in our pachinko operations, including developing an AML manual, employing various internal controls and procedures designed to help ensure that our pachinko operations are conducted in a professional manner and in compliance with applicable laws and regulations in Japan, and setting up a “whistleblowing” telephone hotline that enables all of our officers, employees and their relatives to report irregularities or suspected fraud to management. Our internal audit departments, which operate independently from all other operational departments, conduct hall and department operational audits and periodic reviews and testing of our compliance with, and effectiveness of, our AML measures.

We have also implemented measures in our pachinko operations to prevent and detect potential fraud, cheating or counterfeiting activities. These measures are primarily carried out by our hall operations staff with the cooperation of our internal audit team, and include stringent controls and procedures with respect to the handling of cash and G-prizes. In addition, our headquarters closely monitors hall activity through regular and frequent collection and analysis of operational information by our IT systems.

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### COMPETITIVE STRENGTHS

We believe that we have a number of key strengths that differentiate our business from that of our competitors, including the following:

- we operate a nationwide network, and are able to benefit from economies of scale and an expansive geographic reach;
- we operate a comprehensive range of pachinko halls covering a broad and diverse customer base;
- we have implemented an effective management structure and sophisticated information technology systems which enable us to anticipate and respond quickly to regional changes and trends in customer preferences; and
- we have an experienced and well-qualified management team with a proven track record in operating pachinko halls.

### BUSINESS STRATEGIES

We seek to maintain our position as an industry leader and further grow our business by implementing the following strategies:

- we will continue to promote the entertainment aspect of pachinko while maintaining our three distinct brands in order to further expand and broaden our customer base;
- we will continue to strategically expand our pachinko operations;
- we will increase our focus on customer satisfaction and goodwill;
- we will increase our market visibility with far-reaching advertising and promotional efforts;
- we will continue to utilise our chain-store management strategy to achieve greater cost savings; and
- we will continue to invest in our information technology system, which plays an important supporting role to our daily pachinko operations and will become increasingly important as we expand our business operations in the future.

### RISK FACTORS

There are certain risks involved in our operations and investment in our Shares, and many of these risks are beyond our control. These risks are described in the section headed "Risk Factors" and include the following.

#### Risks Relating to G-prize Wholesalers and Prize Buyers

- Our ability to operate our business is dependent upon the services provided by G-prize wholesalers and prize buyers.
- We may be adversely affected by any breach by the G-prize wholesalers or prize buyers of the independence requirements adopted under the Three Party System.

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### Risks Relating to Differences in Shareholder Rights under Japanese Law

- You may face difficulties in protecting your interests because we are incorporated under the laws of Japan and these laws may provide different rights to Shareholders than the laws of other jurisdictions.
- Our Group and holders of our Shares may be subject to certain Japanese law and regulations relating to taxation that may be different from those under the laws of Hong Kong, including in particular those relating to the taxation of dividends.

### Risks Relating to our Business and Industry

- We face intense competition in Japan.
- Our strategy of broadening the demographic appeal of pachinko may not be successful.
- We rely heavily on our information technology systems, and if these systems are impaired or interrupted, our operations may be seriously disrupted.
- Our business may be affected by downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending.
- We depend on the continued service of key management personnel. If we fail to retain our key management personnel, our business may suffer.
- If we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or detect and prevent fraud.
- Regulatory or governmental policies, or interpretations of such policies, that affect the pachinko industry in Japan could change.
- Because no Japanese law explicitly and directly addresses the legality of the Three Party System on which the pachinko industry is based, there are legal uncertainties with respect to the operation of our business under the Three Party System.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since 31 March 2012 (being the date to which our latest combined financial information was prepared, as set out in the Accountants' Report in Appendix I to this Prospectus) and up to the date of this Prospectus.

### FINANCIAL INFORMATION

The following tables set forth a summary of our combined income statement data and combined statement of financial position data, derived from our audited combined financial statements and related notes thereto set out in Appendix I — Accountants' Report, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These financial statements and information relate to historical results of operations and financial positions of our business.

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For the purpose of illustration only and unless otherwise specified in this Prospectus, certain amounts denominated in Japanese yen are translated into Hong Kong dollars at the rate of ¥10.64 to HK\$1.00, which was the exchange rate prevailing on 30 March 2012 (i.e. the last business day during the Track Record Period). No representation is made that the Japanese yen amounts could have been, or could be, converted into Hong Kong dollars, or vice versa, at such rates or at any other rates on such date or on any other dates.

<b>Combined income statement data</b>	<b>Year ended 31 March</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	
	¥	¥	¥	HK\$
			<i>(in millions)</i>	
Gross pay-ins . . . . .	862,023	859,882	908,309	85,368
Less: gross payouts . . . . .	(696,562)	(690,245)	(743,231)	(69,853)
Revenue . . . . .	165,461	169,637	165,078	15,515
Other income . . . . .	6,898	6,962	6,572	617
Hall operating expenses <sup>(1)</sup> . . . . .	(134,787)	(144,239)	(138,785)	(13,043)
General and administrative expenses . . . . .	(642)	(934)	(1,754)	(164)
Other operating expenses . . . . .	(1,188)	(813)	(874)	(81)
Profit from operations . . . . .	35,742	30,613	30,237	2,844
Finance costs . . . . .	(2,442)	(2,137)	(1,833)	(172)
Profit before tax . . . . .	33,300	28,476	28,404	2,672
Income tax expenses . . . . .	(13,086)	(12,285)	(12,506)	(1,175)
Profit for the year attributable to owners of the Company . . . . .	<u>20,214</u>	<u>16,191</u>	<u>15,898</u>	<u>1,497</u>

<b>Combined statement of financial position data</b>	<b>As at 31 March</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	
	¥	¥	¥	HK\$
			<i>(in millions)</i>	
Property, plant and equipment . . . . .	101,191	98,004	95,033	8,931
Bank and cash balances . . . . .	22,087	17,460	28,524	2,681
Other current and non-current assets . . . . .	43,680	51,463	32,904	3,096
<b>Total assets</b> . . . . .	166,958	166,927	156,461	14,708
Short-term borrowings . . . . .	26,335	15,439	1,654	155
Long-term borrowings . . . . .	27,934	22,578	21,583	2,029
Other current and non-current liabilities . . . . .	40,760	43,540	39,750	3,738
<b>Total liabilities</b> . . . . .	95,029	81,557	62,987	5,922
<b>Total equity</b> . . . . .	71,929	85,370	93,474	8,786

(1) For the years ended 31 March 2011 and 2012, we incurred a one-time loss of approximately ¥195 million and ¥979 million (equivalent to approximately HK\$92 million), respectively, as a result of the Great East Japan Earthquake of 11 March 2011.

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### Key Financial Ratios

The following tables set forth our key financial ratios as at the dates or for the periods indicated.

	As at 31 March		
	2010	2011	2012
Current ratio <sup>(1)</sup> . . . . .	0.6	0.8	1.1
Gearing ratio <sup>(2)</sup> . . . . .	32.5%	22.8%	14.9%
Debt to equity ratio <sup>(3)</sup> . . . . .	44.7%	24.1%	(5.7)%

- (1) Current ratio represents current assets divided by current liabilities.  
(2) Gearing ratio represents total borrowings divided by total assets.  
(3) Debt to equity ratio is calculated by dividing net debt by total equity as at the end of each year.

	Year ended 31 March		
	2010	2011	2012
Interest coverage <sup>(1)</sup> . . . . .	14.6	14.3	16.5
Return on equity <sup>(2)</sup> . . . . .	28.1%	19.0%	17.0%
Return on assets <sup>(3)</sup> . . . . .	12.1%	9.7%	10.2%

- (1) Interest coverage represents profit before interest and tax divided by interest recorded during the year.  
(2) Return on equity is calculated by dividing profit for the year by total equity as at the end of each year.  
(3) Return on assets is calculated by dividing profit for the year by total assets as at the end of each year.

### Current ratio

As at 31 March 2010, 2011 and 2012, our current ratio was 0.6, 0.8 and 1.1, respectively. Our current ratio as at 31 March 2011 improved to 0.8 compared to 0.6 as at 31 March 2010, primarily due to a decrease in borrowings after repayment of bank loans. Our current ratio as at 31 March 2012 rose to 1.1, because of an increase in bank and cash balances by ¥11,064 million (equivalent to approximately HK\$1,040 million) and a decrease in short term borrowings by ¥13,785 million (equivalent to approximately HK\$1,296 million) as compared to 31 March 2011.

### Gearing ratio

As at 31 March 2010, 2011 and 2012, our gearing ratio was 32.5%, 22.8% and 14.9%, respectively.

Our gearing ratio fell from 32.5% as at 31 March 2010 to 22.8% as at 31 March 2011, and further decreased to 14.9% as at 31 March 2012, primarily due to a decrease in total borrowings by ¥16,252 million (equivalent to approximately HK\$1,527 million) and ¥14,780 million (equivalent to approximately HK\$1,389 million) for the years ended 31 March 2011 and 2012, respectively.

### Debt to equity ratio

As at 31 March 2010, 2011 and 2012, our debt to equity ratio was 44.7%, 24.1%, (5.7)%, respectively. The decrease in our debt to equity ratio was primarily due to the repayment of borrowings and an increase in retained profits during the Track Record Period.

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### ***Interest coverage***

Interest coverage was 14.6x, 14.3x, 16.5x for the years ended 31 March 2010, 2011 and 2012, respectively. Interest expenses decreased during the Track Record Period as a result of repayments of bank borrowings.

### ***Return on equity***

For the years ended 31 March 2010, 2011 and 2012, our return on equity was 28.1%, 19.0% and 17.0%, respectively.

Our return on equity decreased from 28.1% for the year ended 31 March 2010 to 19.0% for the year ended 31 March 2011. The decrease was due primarily to a 19.9% decrease in profit for the year. Our return on equity decreased by 2.0% to 17.0% for the year ended 31 March 2012 as compared to the prior year, primarily due to an increase in equity resulting from the profit for the year made during the year. Please see “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Discussion of Results of Operations” for further details on our profitability.

### ***Return on assets***

For the years ended 31 March 2010, 2011 and 2012, our return on assets was 12.1%, 9.7% and 10.2%, respectively.

Our return on assets decreased from 12.1% for the year ended 31 March 2010 to 9.7% for the year ended 31 March 2011, primarily due to a 19.9% decrease in profit for the year. Our return on assets increased by 0.5% to 10.2% for the year ended 31 March 2012 as compared to the prior year, primarily due to the decrease in property, plant and equipment and available-for-sale financial assets as compared to the prior year, partially offset by a 1.8% decrease in profit for the year. Please see “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Discussion of Results of Operations” for further details on our profitability.

## **OFFER STATISTICS**

- Market capitalisation at Listing : HK\$10,399.9 million to HK\$11,885.6 million (The calculation of market capitalisation is based on 742,850,360 Shares expected to be in issue following completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.)
- Unaudited pro forma adjusted combined net tangible asset value per Share : HK\$13.7 to HK\$14.0 (The unaudited pro forma adjusted combined net tangible asset value per Share is calculated after making the adjustments referred to in the section headed “Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets” in this Prospectus, and on the basis of a total of 742,850,360 Shares expected to be in issue following the completion of the Global Offering. This calculation assumes respective Offer Prices of HK\$14.0 and HK\$16.0 and that the Over-Allotment Option is not exercised.)

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- Offer size : Initially 15.1% (excluding Shares to be offered pursuant to the exercise of the Over-Allotment Option) of the enlarged issued share capital of the Company
- Over-Allotment Option : Up to 15% of the total number of Shares initially available under the Global Offering
- Offer Price per Share : HK\$14.0 to HK\$16.0 per Share
- Board lot : 200 Shares
- Offering structure : 90% International Placing and 10% Hong Kong Public Offering (subject to adjustment and the Over-Allotment Option)
- Use of proceeds (assuming the Over-Allotment Option is not exercised and assuming an Offer Price of HK\$15.0 per Offer Share (being the mid-point of the indicative Offer Price range)) : Net proceeds of the Global Offering: HK\$1,614.5 million, after deducting the underwriting fees and estimated expenses payable by the Group in relation to the Global Offering
- approximately 75% of the net proceeds, or HK\$1,210.9 million, to partially finance the set up of 75 new additional pachinko halls (approximately 8% of net proceeds or HK\$129.2 million to build eight traditional halls; approximately 60% of net proceeds or HK\$968.7 million to build 60 *Yuttari Kan* halls; and approximately 7% of net proceeds, or HK\$113.0 million, to build seven *Shinrai no Mori* halls) for the three years ending 31 March 2015;
  - approximately 10% of the net proceeds, or HK\$161.4 million, for potential acquisition of pachinko halls;
  - approximately 5% of the net proceeds, or HK\$80.8 million, for upgrading our existing information technology and management systems, such as our Sales Management and Prize Management Systems; and
  - the remaining 10% of the net proceeds, or HK\$161.4 million, to be used as general working capital.

The application of the net proceeds as stated above are only current estimates and are subject to change based on prevailing economic, market and business conditions.

See “Future Plans and Use of Proceeds” for further information.

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### DIVIDENDS

During the Track Record Period, we declared interim and/or final dividends totalling in the aggregate approximately ¥7,245 million (equivalent to approximately HK\$681 million), ¥4,312 million (equivalent to approximately HK\$405 million) and ¥8,052 million (equivalent to approximately HK\$757 million), respectively. See “Appendix I — Accountants’ Report”.

We intend to distribute dividends on an interim and year-end basis, subject to the availability of Distributable Amount and compliance with applicable laws and regulations in Japan and Hong Kong. Any dividends will be determined by our Board of Directors taking into consideration the interim and final results of our Company. We currently intend to recommend dividends totalling approximately 45% to 50% of our consolidated profit (calculated in accordance with IFRS) for the six months ending 30 September 2012 and the year ending 31 March 2013, which we expect to declare by November 2012 and June 2013, respectively. For further information on our dividend policy, please see “Financial Information — Dividend Policy”.

Going forward, Shareholders that are entitled to receive cash dividends (if any) from our Company will have the option of receiving their entitlements in either Japanese yen or Hong Kong dollars, except for CCASS Beneficial Owners, who will receive dividend payments in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable. See “Material Shareholders’ Matters under Japanese Law — Dividends — Japanese withholding tax for dividend payments” for a discussion of our obligation under Japanese law to withhold tax prior to payment of dividends. Shareholders who are either residents in Hong Kong or corporations established in Hong Kong without any permanent establishment in Japan are entitled to a reduced withholding tax rate under the Hong Kong-Japan Tax Treaty. See “Material Shareholders’ Matters under Japanese Law — Dividends — Japanese withholding tax for dividend payments — The Hong Kong-Japan Tax Treaty” for the application procedures for such reduced withholding tax rate.

You should note that historical dividend distributions are not indicative of our future dividend policy.