*You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below and the other information included in this Prospectus, including our financial statements and the related notes, prior to investing in our Shares. You should pay particular attention to the fact that we conduct our operations in Japan and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition, results of operations and cash flows could be materially and adversely affected by any of these risks. The trading price of our Shares could decrease due to any of these risks, and you may lose all or part of your investment.*

## 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.**

Japanese law and regulations prohibit any flow of cash, whether direct or indirect, from pachinko halls to customers. The pachinko industry has therefore developed such that the participation of three parties — the hall operator, the G-prize wholesaler and the prize buyer — is required in order to maintain compliance with relevant laws and regulations, including the Penal Code of Japan. We rely upon the continued services of the prize wholesalers from whom we source G-prizes, as well as of the prize buyers. For the years ended 31 March 2010, 2011 and 2012, approximately 96.9%, 96.9% and 97.6%, respectively, of the prizes claimed at our halls, in terms of our total gross payouts, were G-prizes.

We enter into agreements with our G-prize wholesalers pursuant to which we purchase G-prizes for use as prizes in our pachinko halls; we also enter into lease agreements with our G-prize wholesalers pursuant to which we lease to them premises on the parcel of land on which the relevant pachinko hall is located, which the G-prize wholesaler then subleases to a prize buyer. We currently have non-exclusive relationships with eight G-prize wholesalers, who in turn have arrangements with prize buyers with respect to our pachinko halls. The termination of any of our arrangements with our G-prize wholesalers, or of the arrangements between any of our G-prize wholesalers and the prize buyers with whom they conduct business, would cause a disruption in our business. We would have to seek arrangements with other G-prize wholesalers, who would then need to establish arrangements with prize buyers. The arrangements and dealings between the G-prize wholesalers and the prize buyers are beyond our control. We or they may not be able to establish new arrangements on terms acceptable to us or them or at all, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

**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.**

Pachinko and pachislot operations are regulated as part of the entertainment industry under the Amusement Business Law, which prohibits any flow of cash, whether direct or indirect, from pachinko halls to customers. Therefore, we, the wholesalers from which we obtain G-prizes, and the prize buyers to which our customers may sell their G-prizes for cash are required to maintain independence from each other. Although the G-prize wholesalers and prize buyers are third parties over which we exercise no control outside of our contractual relationship with the prize wholesalers, if we become aware of a lack of independence between any of our G-prize wholesalers and the prize buyers they contract with, we would be required to remedy the situation by either ceasing our transactions with the relevant wholesaler or requesting the wholesaler to cease its transactions with the relevant prize buyer. If we cease transactions with a wholesaler and enter into arrangements with a new wholesaler, all the prize buyers associated with the prior wholesaler would also be replaced or be required to enter into new arrangements with the new wholesaler, which could result in a disruption to our business operations at the affected pachinko halls.

## RISKS RELATING TO DIFFERENCES IN RIGHTS AND REQUIREMENTS 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 Company was incorporated under the laws of Japan. Our corporate affairs are governed by our Articles of Incorporation and by Japanese law. Legal principles relating to matters such as the validity of corporate procedures, directors' and executive officers' fiduciary duties and liabilities, and shareholders' rights under Japanese law may be different from those that would apply to a company organised in other jurisdictions. You may have more difficulty in asserting your rights as a Shareholder of our Company than you would as a shareholder of a company organised in other jurisdictions.

Specifically, potential investors should note the following:

***Share unit system***

All stock companies *(kabushiki-gaisha* 株式会社*)* in Japan, such as our Company, may, through the passing of a special resolution by their shareholders, adopt a share unit system whereby a holder of a specific number of shares may cast one vote, but a holder of less than such specified number will not have any entitlement to vote. Our Company currently will not utilise a share unit system upon the Listing, but we cannot assure you that we will not adopt such a system in the future, or that a share unit system would not adversely affect Shareholders' rights.

***Compulsory acquisitions***

Under the Companies Ordinance, a shareholder that holds 10% or less of a company has the right to require a third party that has acquired 90% or more of such company in a tender offer to buy such minority shareholder's shares from it following expiry of the tender offer period. There is no equivalent provision under Japanese law.

***Dividend distributions***

Under our Articles of Incorporation, dividend distributions may generally be approved by our Board of Directors and do not require Shareholder's approval. See "Material Shareholders' Matters under Japanese Law — Dividends — Restrictions on dividend distributions".

***Alternative proposal***

Japanese law provides that where a proposal (such as the appointment of a Director) is an agenda item for a Shareholders' meeting, any Shareholder with at least one vote may, without prior notice to our Company, make a counter proposal to such original proposal at that Shareholders' meeting to be voted on so long as the counter proposal did not fail to receive at least 10% of votes at any Shareholders' meeting within the last three years. Therefore, Shareholders who do not attend a Shareholders' meeting in person or who are not represented at such meeting by a proxy may lose the chance to vote on a spontaneous counter proposal. However, if a Shareholder casts a written vote in advance in favour of an original proposal, the written vote will be counted as a vote against any counter proposal. If a Shareholder does not cast (i) written votes in advance or (ii) written votes in advance against the original proposal, he will be deemed not to have voted in favour of or against a counter proposal. CCASS Beneficial Owners may be unable to cast (if a vote was not initially cast) or change a vote in favour of or against the original proposal after taking the counter proposal into consideration unless notice of the intention to make a counter proposal at a Shareholders' meeting is received at least seven days in advance of such meeting (as required under the Listing Rules in connection with nomination(s) of alternative candidate(s) for directorship(s)). See "Material Shareholders' Matters under Japanese Law — Shareholder rights and obligations — Alternative proposals" for further details.

In addition, our minority Shareholders may have different protections under Japanese law than they would have under the laws of Hong Kong. For example, Shareholders holding a 10% interest in our Shares may initiate litigation to dissolve our Company in certain circumstances.

**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.**

We are required under Japanese law to withhold tax prior to paying dividends. In general, Shareholders interested in less than 3% of all the issued Shares of our Company who are neither Japanese residents nor corporations established in Japan are subject to a withholding tax of 7% and 7.147%, respectively, for dividends due and paid on or before 31 December 2012 and 31 December 2013. See "Material Shareholders' Matters under Japanese Law — Dividends — Japanese withholding tax for dividend payments" for detailed withholding tax rates. 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 not exceeding 10% (or not exceeding 5% for corporate Shareholders interested in 10% or more of the voting Shares of our Company for the six months preceding the record date for dividend distribution) 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.

Potential investors intending to hold their Shares through CCASS should also note that, due to the inherent characteristics of CCASS, our Company is unable to ascertain the identity, and consequently the tax residence, of the CCASS Beneficial Owners. As a result, CCASS Beneficial Owners will be subject to the highest possible withholding tax rate in Japan from time to time, which is approximately 20%, on dividend payments. CCASS Beneficial Owners entitled to a reduced withholding tax under the Hong Kong-Japan Tax Treaty may seek recovery of the excess amount of tax paid through a refund procedure administered by Japan's National Tax Agency. However, potential investors should note that there may be delays in obtaining this refund.

**Our Share transfer procedures, which requires a bearer of Share certificate to present a duly stamped and executed instrument of transfer and/or contract, may be challenged in a court of Japan.**

Generally speaking, Japanese law recognises a bearer of a share certificate as the legal and beneficial owner of the shares represented by such share certificate, whether or not that person's name appears on such share certificate. Japanese companies are generally required to register bearers of share certificates as a shareholder in their respective share registers unconditionally unless they have *reasonable grounds* not to do so. It is therefore possible for title to a Japanese company's shares to be transferred by mere physical delivery of share certificates without the transferor and transferee having signed any transfer document.

Because all Shares in our share capital will be, upon the Listing, considered as *Hong Kong stock* under the Stamp Duty Ordinance, our Company will not follow these general provisions under Japanese law. Upon the Listing, we will not register a bearer of our Share certificate as a Shareholder in our share register unless and until he/she is able to present an instrument of transfer and/or a contract note duly stamped and executed by such bearer (as transferee) and the record Shareholder whose name appears on the relevant Share certificate and our share register (as transferor), as required under the Stamp Duty Ordinance.

However, since the Listing will be the first primary listing of a Japanese company on the Stock Exchange, there is no clear Japanese case law that explicitly requires a bearer of our Share certificates to present a duly stamped and executed instrument of transfer and/or contract note. It is possible for a Shareholder to initiate legal proceedings against us in relation to our Share transfer procedures. Failure to successfully defend ourselves in such legal proceedings could lead to monetary compensation to the relevant stakeholders and an administrative fine of up to ¥1 million. Our Company may also be required by a court order to register a bearer of our Share certificate as a Shareholder in our share register regardless of the Stamp Duty Ordinance requirements.

Bearers of a Share certificate registered as lost or destroyed are also required to present a duly stamped and executed instrument of transfer before they can be registered as a Shareholder in our share register. This requirement gives rise to similar risks for Shareholders as our Share transfer procedures as described above. See "Material Shareholders' Matters under Japanese Law — Lost/Destroyed Share certificates" for further details.

**There are significant risks associated with physical possession of Share certificates.**

Shareholders who elect to physically possess (either personally or through a third party on their behalf) our Share certificates run the risks of an unauthorised third party coming into possession of such Share certificates and requiring our Company in a Japanese court to register him/her as a Shareholder in our share register in the manner described in the preceding risk factor. If our Company is required by a Japanese court order to register an unauthorised third party as a Shareholder without a duly executed and stamped instrument of transfer and/or contract note, the equity interests of the original Shareholder on record may be materially and adversely affected.

In the unlikely event of a successful challenge by way of a valid Japan court order against our current Share transfer procedures, our Directors may also consider appointing a Japan share registrar. A Japan share registrar, if appointed, will be bound under Japanese law to accept Share transfer applications from bearers of Share certificates without requiring a duly executed and stamped instrument of transfer and/or contract note.

Furthermore, loss or destruction of Share certificates may have serious implications on your equity interests in our Company and the Shareholders' rights associated therewith. If a Share certificate registered as lost is recovered by an unauthorised third party, it may become necessary for the record Shareholder to assert his/her title in a court of Japan. Failure to do so could lead to misappropriation of your shareholding interests. CCASS Beneficial Owners are not subject to the risks associated with physical possession of Share certificates. Potential investors who choose to hold the Shares in their own names and outside CCASS are strongly recommended to surrender their Share certificates to our Company or otherwise safe-keep their unsurrendered Share certificates at all times.

**A Shareholder who has surrendered his Share certificate to our Company may be subject to a waiting period of up to six business days before a new Share certificate is re-issued.**

To mitigate the risk of an unauthorised third party coming into possession of their Share certificate, Shareholders may surrender their Share certificates to us, in which case such surrendering Shareholder's legal ownership would instead be reflected on our share register. However, Shareholders who have surrendered their Share certificates will need to request a re-issue before being able to effect a transfer of the Shares. It generally takes a period of up to six business days for our Share Registrar to process a re-issue of new Share certificates substituting surrendered Share certificates to a Shareholder who has surrendered his Share certificate to our Company. During this waiting period, he will be unable to transfer, dispose of or deposit his Shares into CCASS. Before surrendering their Share certificates, investors are advised to carefully consider their individual investment plans. In particular, investors looking to sell or dispose of their successfully allotted Offer Shares within a short period of time from the Listing Date should take note of the six business-day waiting period.

Dealings in the Shares on the Stock Exchange are customarily effected on a *T+2* basis, where the settlement date of a transaction (the date the ownership of the Shares is transferred and the transaction monies are exchanged) usually takes place two business days following the transaction date. Since market intermediaries such as securities brokers normally effect the settlement of a transaction only upon the re-issue of a surrendered Share certificate, the six business-day waiting period, during which the Shares may not be transferred, disposed of, or deposited into CCASS, could lead to settlement failure. For more information, see "Material Shareholders' Matters under Japanese Law — Ownership of Shares — Safe-keeping your Share certificates — Surrendering your Share certificates — Implications of Share certificates re-issue".

**A Shareholder who loses his share certificates will be subject to limitations on his rights as Shareholder.**

If a Shareholder loses his physical Share certificate, he will be subject to a one-year waiting period during which time he will be unable to transfer his Shares. In addition, during the one-year waiting period after the physical share certificate is lost or destroyed, any dividends payable will be paid to the Shareholder listed on the share register, and all rights associated with the Shares will generally remain with the Shareholder listed on the share register. In addition, a Shareholder will be required to prove legal title to such Shares in accordance with the relevant procedures under Japanese law, and failure to do so may result in the loss of rights associated with the Shares. For more information on lost or destroyed share certificates, see "Material Shareholders' Matters under Japanese Law — Lost/destroyed Share certificates". Potential investors should note that the procedures for replacement of lost or destroyed Share certificates adopted by our Company differ from those under section 71A of the Companies Ordinance.

**The general mandate in relation to share repurchases may not be valid and enforceable under Japanese law.**

Pursuant to an extraordinary Shareholders' meeting dated 20 June 2012, a general mandate was given to our Board of Directors to exercise all power of our Company to repurchase our Shares on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed and which is recognised by the Stock Exchange and the SFC for this purpose, representing not more than 10% of our Company's entire issued share capital immediately following the completion of the Global Offering.

The Companies Act provides as a general rule that a company may acquire its own shares through *market transactions, etc. (shijo torihiki tou)* based on a resolution at a Shareholders' meeting. Our Articles of Incorporation also permits the repurchase of Shares through *market transactions, etc. (shijo torihiki tou)* by a resolution of the Board, is subject to certain restrictions and any applicable requirements of the Listing Rules and Japanese law. However, given the lack of relevant court precedent in Japan, it is unclear whether repurchases on the Stock Exchange are within the scope of *market transactions, etc (shijo torihiki tou)* under the Companies Act. As such, our Japan Legal Adviser has advised us that there is uncertainty as to whether such mandate to repurchase is valid and enforceable under Japanese law in relation to repurchases conducted through the Stock Exchange. See "Material Shareholders' Matters under Japanese Law — Share Repurchase".

**Foreign investors may be required to make pre-investment or post-investment reporting filings to The Bank of Japan, failure of which could lead to imprisonment or monetary fines.**

Foreign Investors (as defined in the sub-section headed "Material Shareholders' Matters under Japanese Law — Foreign exchange control — Notification to The Bank of Japan") are required to make pre-investment or post-investment reporting filings under the Foreign Exchange Regulations in certain limited circumstances with The Bank of Japan, which subsequently forwards the filings to the relevant government agencies. These circumstances include, but are not limited to:

- when a Foreign Investor is not a resident of, or corporation organised under the laws of any of the Exempted Jurisdictions (which includes Hong Kong);
- when the purchase price of the Shares exceeds ¥100 million;
- when a Foreign Investor becomes holder of 10% or more of our entire issued share capital through a purchase of Shares; and
- when the purchase of Shares is effected through any securities firm/bank or other entity specified under the Foreign Exchange Regulations as an agent or intermediaries.

Failure to notify The Bank of Japan when required may result in imprisonment of up to three years or a fine of up to ¥1 million, depending on the circumstances of the required filing. See "Material Shareholders' Matters under Japanese Law — Foreign exchange control — Notification to The Bank of Japan" for detailed requirements and procedures for notification to The Bank of Japan and "Material Shareholders' Matters under Japanese Law — Foreign exchange control — Notification to The Bank of Japan — Exempted Jurisdictions" for a list of Exempted Jurisdictions.

**You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.**

Our Company was incorporated under the laws of Japan. All our current operations and administrative and corporate functions are conducted in Japan, and substantially all of our assets and our subsidiaries are located in Japan. In addition, most of our Directors and Executive Officers reside within Japan, and most of the assets of our Directors and Executive Officers are located within Japan. As a result, it may not be possible to effect service of process outside Japan upon any of these persons or our Company, or to enforce any judgments obtained in courts outside of Japan against them or us. As a result, judgments of a court in a foreign jurisdiction related to any matter not subject to a binding arbitration provision may not be recognised or enforced in Japan. In addition, it is uncertain whether Japanese courts would be competent to hear the original actions brought against us or such persons predicated upon the laws of other jurisdictions.

## RISKS RELATING TO OUR BUSINESS

### We face intense competition in Japan.

The pachinko business in Japan is highly competitive. As of 2010, there were approximately 4,100 large and small pachinko hall operators throughout Japan. As at the end of 2010, we operated 350 pachinko halls out of a total of approximately 12,500 halls in Japan. Although we operate the largest number of halls among all hall operators in Japan, due to the fragmented nature of the pachinko industry, our market share based on number of halls is approximately 2.7%. Our major competitors are large pachinko operators, who have extensive experience and an established presence in the pachinko business as well as the capital resources to implement expansion plans. They may have greater access to financial, marketing or management resources than we do, have greater brand recognition or provide a different array of pachinko and other games. We cannot assure you that our development strategies for our pachinko halls will successfully compete with those of our competitors.

In addition, we face competition from other types of entertainment and gaming activities, including offshore gaming, web-based gaming, and potentially interactive gaming channels. For example, social networking websites in Japan such as Mixi, and mobile phone gaming applications such as Mobage, have recently introduced alternative gaming platforms which may compete with our pachinko gaming business. Horse racing, which is run by the Japan Racing Association and local government, may also compete with us. We may also face competition from casinos and other gaming venues. In particular, the Japanese government has been considering proposing legislation to approve the operation of a casino industry in Japan, with entry into the casinos proposed to be controlled by a system of identity checks as well as entry fees in order to discourage gambling dependency. The contemplated bill is supported by the government in part as a way to generate tax revenues to be used to contribute to the country's recovery and rebuilding after the Great East Japan Earthquake.

If our current or target customers choose to participate in these activities rather than our pachinko games, our operations and revenue would be negatively impacted. If we cannot effectively compete with our competitors, our business, results of operations, financial condition and prospects may be materially and adversely affected.

### Our strategy of broadening the demographic appeal of pachinko may not be successful.

We have invested a significant amount of time, funds and other resources in our strategy of targeting the leisure market by emphasising the entertainment, rather than the gaming, aspect of pachinko. A key part of this strategy has been to introduce our low playing cost, non-smoking halls under our *Shinrai no Mori* brand. We have incurred significant capital expenditures in connection with our introduction of this hall type, particularly construction expenses. Because these halls feature more advanced infrastructure such as air purification systems and other noise-minimising measures, additional equipment such as individual jet counters at each machine, and structural features such as separate relaxation areas and closed-off smoking areas, they cannot be converted from existing traditional hall types. In the years ended 31 March 2010, 2011 and 2012, we incurred approximately ¥10,142 million, ¥6,660 million and ¥1,995 million (equivalent to approximately HK$188 million), respectively, in capital expenditures related to the opening and acquisition of pachinko halls. Our *Shinrai no Mori* halls, in the aggregate, have not yet contributed positively to our overall profitability. However, as certain of our individual *Shinrai no Mori* halls are now generating revenues that exceed hall operating expenses, we expect that they will, in the aggregate, contribute to our profitability in the future.

This strategy is based on what we believe to be a relatively new industry trend, and our target market for this hall type comprises a new and still-developing customer base for the industry. As pachinko is relatively less popular among the younger generation, a key element of our strategy in our *Yuttari Kan* and *Shinrai no Mori* hall brands is to appeal to a broader range of customers, such as women, younger players, and other non-traditional pachinko customers. According to Yano Research, the average age of male and female pachinko players was approximately 44 and 50, respectively, and the average age of male and female pachislot players was approximately 34 and 38, respectively. In addition, the majority of pachinko players are from the 40 to 69 age group, representing 52.5% of the entire male pachinko player population and 65.6% of the entire female pachinko player population. Our results of operations and prospects may be adversely affected as a result of the aging population in Japan and our strategy to broaden the demographic appeal of pachinko may not be successful. In addition, the new services and features we have introduced as part of our strategy of targeting the leisure market may not enjoy customer acceptance or successfully compete with the offerings of our competitors. Further, we may be unable to deliver new offerings on a commercially viable or timely basis, or at all. If we fail to successfully introduce new services and features, broaden our range of customers or implement our growth strategies, our revenue may not grow, which may have a material adverse impact on our business, financial condition, results of operations and prospects.

**We face the risk of fraud or cheating.**

Players may attempt to commit fraud or cheat in order to increase the number of pachinko balls and pachislot tokens they collect. Acts of fraud or cheating could involve, among others, the use of counterfeit pachinko balls or pachislot tokens, the use of counterfeit G-prizes, tampering with our machines and systems, or other tactics, possibly in collusion with our employees. For example, instances of illegal or fraudulent activity of a minor or insignificant nature by customers in our pachinko halls are detected approximately once or twice per month and reported to the prefectural police. Examples of these activities include a customer opening a pachinko machine and attaching a device to the machine that inflates its winning rate, or using a device to emit microwave or radio interference with computerised components of the pachinko machines, or other attempts to play the machine without inserting the required payment. We did not identify any material failure of our anti-cheating and anti-counterfeiting surveillance systems during the Track Record Period and up to the Latest Practicable Date; however, any failure by us in discovering such acts or schemes in a timely manner could result in losses in our pachinko operations. An allegation or a finding of improper conduct on our part, or on the part of one or more of our current or future employees or management that is attributable to us, or an actual or alleged system security defect or failure attributable to us, could be deemed to be a regulatory breach for which we could be subject to revocation or suspension of our operating license for the relevant pachinko hall. In addition, any such occurrence could lead to negative publicity, which could damage our reputation. This would materially and adversely affect our business, results of operations, financial condition and prospects.

**We face the risk of anti-social forces being involved in the pachinko industry.**

The pachinko industry has historically been linked to anti-social forces. While we have in place various processes and procedures designed to ensure that our operations remain clear of anti-social forces, we cannot assure you that we will be able to prevent anti-social forces from interfering in our pachinko operations. For example, we have in the past experienced incidences of vandalism and other acts of aggression from anti-social forces due to our refusal to allow their involvement in our operations. In addition, anti-social forces may engage in theft of cash, fraud or other organised criminal activity through involvement with prize buyers or other third parties over whom we have no control. Failure to prevent anti-social forces from being involved in the pachinko industry could materially and adversely affect our business, results of operations and financial condition. In addition, negative publicity related to the pachinko industry and anti-social forces could adversely affect the reputation and perception of our industry as a whole, which would also impact our reputation.

**We rely heavily on our information technology systems, and if these systems are impaired or interrupted, our operations may be seriously disrupted.**

We depend in large part upon our information technology systems, which store, retrieve, process and manage substantial amounts of real-time data and information, including personal information of our members that is stored in our membership database. We rely on these systems in making many of our business decisions and to develop strategies with respect to machine replacement and procurement, marketing, prize procurement and inventory management. Information technology systems are inherently susceptible to the risk of hardware and software failures, including network failures, the occurrence of any of which would materially impact our ability to conduct our business. In addition, our network security may be compromised due to incidents of "hacking", which involves efforts to gain unauthorised access to information or systems or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment. We may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by these breaches. If unauthorised persons are able to penetrate our network security, they could misappropriate personal information regarding our members, or cause interruptions in our services. See "— We may be subject to liability for failure to maintain compliance with Japan's privacy laws in connection with our membership system and database." In addition, hacking and computer viruses could expose us to a material risk of loss or litigation and possible liability under Japan's privacy laws. See "Laws and Regulations — Personal Information Protection". Further, they could result in significant damage to our hardware and software systems and databases, disruptions to our business activities, including to our e-mail and other communications systems, breaches of security and the inadvertent disclosure of confidential or sensitive information, damage to our reputation, and other material adverse effects on our operations.

**If we lose the services of our third-party information technology systems contractor, our operations may be seriously disrupted.**

Our information technology network was developed in conjunction with, and is maintained by, a third party contractor. We rely on our third party contractor to maintain the network and infrastructure underlying our information technology systems, to provide technical assistance to us on an ongoing basis, and to upgrade our systems when and as necessary. Any failure by our third party contractor to maintain the satisfactory performance, reliability, security and availability of our network infrastructure may adversely affect our ability to operate our business in an efficient and effective manner.

The termination of our arrangements with our third party contractor for any reason could cause a disruption in our business operations. In the event of such a termination, we would have to seek other means of maintaining our information technology systems, which may include the acquisition of equipment, the licensing of software and the development, either internally or through independent consultants or third party contractors, of new software. If we are unable to design, develop, implement and/or maintain, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or if we suffer any interruption or loss of our information processing capabilities for any reason, our operations could be materially disrupted.

**Our business may be adversely affected by the continuing effects of the Great East Japan Earthquake and ensuing events.**

On 11 March 2011, the Great East Japan Earthquake occurred off the eastern coast of Japan and was followed shortly thereafter by a large tsunami that struck a vast swath of Japan's Pacific coast. The Great East Japan Earthquake and tsunami resulted in over 15,000 deaths and significant property damage in Japan, particularly in the Tohoku region, including the subsequent accidents at nuclear power plants in Fukushima Prefecture. In the immediate aftermath of the earthquake and tsunami, there was a significant short-term negative impact on the economy. In addition to the initial damage caused by the Great East Japan Earthquake and tsunami, the damage to the nuclear power facilities in Fukushima Prefecture resulted in electricity shortages and related rolling blackouts through much of the Tohoku and Kanto regions, which include Tokyo. It is uncertain whether other significant collateral events will happen in the future, and it is likely that the Japanese economy will remain unstable until the full extent of the damage from the earthquake and collateral events can be adequately assessed.

While we did not suffer severe direct losses of employees or property as a result of the earthquake, we temporarily shut down operations at approximately 100 of our pachinko halls, including our 15 halls in the Fukushima Prefecture. All of the affected pachinko halls were re-opened and in operation by 7 October 2011. The temporary closure of these locations resulted in an adverse impact on our financial results, as we recorded losses on earthquake of approximately ¥195 million and ¥979 million (equivalent to approximately HK$92 million) for the years ended 31 March 2011 and 2012, respectively.

In addition, the electricity shortages and related rolling blackouts throughout parts of Japan have adversely impacted our business operations, as pachinko halls inherently consume large amounts of electricity. Energy conservation measures have been implemented throughout Japan, particularly during the summer months, as a result of which we were required, between 1 July and 30 September, to close our halls three days per month in areas where the electricity is supplied by Tokyo Electricity Co. and two days a per month where the electricity is supplied by Tohoku Electricity Co., Inc.

Many suppliers, including manufacturers of pachinko and pachislot machines, have had to close, suspend or relocate their manufacturing operations, and have therefore experienced slowdowns or halts in production and interruptions in logistics services as a result of the Great East Japan Earthquake and tsunami. We have consequently experienced difficulties in procuring new pachinko and pachislot machines, and have had to increase our reliance on second-hand purchases from third party dealers and prolonged the usage of existing machines. Difficulties in procuring new machines has also affected our marketing strategy, as prior to the earthquake, much of our marketing was focused on our practice of frequently updating and replacing our machines to keep pace with rapidly changing gaming trends and customer preferences.

The duration and magnitude of the total impact on the Japanese economy are unclear. Significant funds will be required for Japan's reconstruction efforts; however, there is uncertainty regarding whether Japan's political leaders will timely formulate effective solutions to provide the necessary financial support and to develop other policies in response to the Great East Japan Earthquake. In particular, since the Japanese Cabinet submitted a bill to the Diet of Japan in June 2011, there has been considerable political debate regarding a compensation scheme for damages related to the nuclear accidents as well as a scheme to financially support electric utilities that are subject to the damage claims. Many aspects of the proposed legislative solution, including the actual implementation of such schemes, remain uncertain. Depending on the timing and approach of any policy or scheme, significant costs may be incurred by the Japanese government, electric utilities or a broad range of participants in the Japanese economy, which in turn may significantly affect the Japanese economy. These various issues may cause significant and unforeseeable adverse effects on the Japanese economy and on our business, results of operations, financial condition and prospects.

**Our business may be affected by downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending.**

We believe that the pachinko industry has traditionally been relatively unaffected by macro-economic conditions; however, an extended economic downturn or continued uncertainty in global and regional economies could negatively affect demand for the type of gaming and entertainment services we offer. Changes in discretionary consumer spending or consumer preferences could be driven by factors such as perceived or actual general economic conditions, a weakening job market, or an actual or perceived decrease in disposable consumer income and wealth. These and other factors have in the past reduced consumer demand for the gaming and entertainment services we offer and have adversely affected our gaming business, results of operations and financial condition, and if we are not successful in responding to future changes in consumer spending trends, could further affect our future prospects.

Recent global market and economic conditions have been unprecedented and challenging, with recessionary conditions persisting in most major economies through 2010. While the global economy showed some signs of moderate recovery during 2010, difficult economic conditions returned in 2011 and have continued into 2012, in part due to the debt crisis in Europe. The Japanese economy, which went into a technical recession in late 2008 that intensified through early 2009, showed some signs of a modest recovery during 2010 and 2011 due in part to the economic stimulus measures implemented by the government in 2010. However, as the government ended many of the stimulus measures during the first part of 2011, the Japanese economy may again begin to weaken. Furthermore, the Great East Japan Earthquake that occurred on 11 March 2011 again triggered a technical recession in the Japanese economy, significantly affecting business and consumer spending. See "— Our business may be adversely affected by the continuing effects of the Great East Japan Earthquake and ensuing events."

Continued weakness in the global economy or in the economy of Japan, where we conduct all of our business operations and where the vast majority of our patrons reside and/or generate their income, may result in a reduction of the number of patrons, a reduction in the frequency of visits by these patrons, or a reduction in the amount of money spent by these patrons in our pachinko halls. Any reduction in consumer demand for the services we offer would materially and adversely affect our operating revenues and, as a result, our business, financial condition and results of operations.

**We may be subject to liability for failure to maintain compliance with Japan's privacy laws in connection with our membership system and database.**

We are subject to Japan's Personal Data Act, which regulates the collection, use, handling, and transfer of personal information. See "Laws and Regulations — Personal Information Protection". We maintain an extensive membership database that collects, stores and analyses information on our approximately 2.6 million registered members, including personal information such as each member's name, address, age, gender and date of birth. The mishandling of any of our members' personal information, such as through internal leaks, misappropriation by an unauthorised third party, or other unauthorised use by us or a third party, is required to be reported to the member whose information has been mishandled, as well as to the relevant authorities and the public, and could subject us to civil and/or criminal liability and significantly damage our reputation.

**We may require external debt or equity financing to expand our business as planned, which may not be available on satisfactory terms or at all.**

We have in the past funded our business and operational expansion primarily through cash generated from our operations and external bank borrowings. We may require additional funding in the future to further expand our business, which we may raise through external financing. Our ability to obtain debt or equity financing on acceptable terms depends on a variety of factors that are beyond our control, including market conditions, investors' and lenders' perceptions of, and demand for, debt and equity securities of pachinko companies, credit availability, and interest rates; the availability of, and likely terms for, debt financing may be adversely affected by recent developments in the global economy. As a result, we cannot assure you that we will be able to obtain sufficient funding from external sources as required on terms satisfactory to us, or at all, to finance future expansion. If we raise additional capital through the sale of equity, or securities convertible into equity, further dilution to our then-existing shareholders will result. If we raise additional capital through the incurrence of debt, our business may be affected by the amount of leverage we incur. For instance, such borrowings could subject us to covenants restricting our business activities, servicing interest would divert funds that would otherwise be available to support our operations or development activities, and holders of debt instruments would have rights and privileges senior to those of our equity investors. If we are unable to obtain adequate funding on a timely basis, we may not be able to carry out parts of our growth strategy or to maintain our growth and competitiveness, which could materially and adversely affect our business, results of operations, financial condition and prospects.

**The failure to fulfil conditions imposed under our loan facilities may limit our ability to conduct our operations or obtain additional financing.**

As at 31 May 2012, we had outstanding indebtedness of ¥21,566 million (equivalent to approximately HK$2,136 million as calculated using the rate of ¥10.10 to HK$1.00, which was the exchange rate prevailing on 31 May 2012). See "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness". Our loan facilities and credit agreements impose certain conditions, including financial and operating covenants, that restrict our ability to engage in certain transactions. In particular, our credit facilities require, among other things, our Group companies to maintain specified financial ratios and net assets, and contain restrictions on ordinary losses, which may limit our ability to conduct our operations or obtain additional financing.

Although we have not breached any of these covenants during the Track Record Period, our ability to comply with these covenants in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions. As a result, we may not be able to comply with these covenants, including with respect to making our required payments due to insufficient cash flow. Our failure to comply with any of these covenants or to meet our payment obligations could result in an event of default which, if not cured or waived in time, could result in the acceleration of those and other outstanding debt obligations and the enforcement of security and guarantees given in respect of them. We may not have sufficient working capital or liquidity to satisfy our debt obligations in the event of an acceleration of all or a portion of our outstanding obligations.

**Our pachinko halls, including those that we may acquire, may not perform as expected.**

Our growth strategy includes the continued opening of new pachinko halls and acquisition of halls when favourable opportunities arise. See "Business — Business Strategies". We have incurred and will continue to incur significant capital expenditures associated with the construction and acquisition of new pachinko halls. In the years ended 31 March 2010, 2011 and 2012, we incurred approximately ¥10,142 million, ¥6,660 million and ¥1,995 million (equivalent to approximately HK$188 million), respectively, in capital expenditures related to the opening and acquisition of pachinko halls. We cannot assure you that we will be able to maintain or improve on our overall profitability. In addition, we may not be able to obtain the necessary financing for our expansion, improvement and acquisition plans on favourable terms, or at all. We also cannot assure you that an increase in the number of our pachinko halls will lead to a corresponding increase in our operating revenue, or that we will be able to maintain or grow our market share in the future or otherwise compete effectively. Nor can we assure you that we will be able to successfully integrate the halls we acquire into our existing business operations. Any failure on our part to successfully implement our current plans for the improvement and acquisition of pachinko halls, or to effectively manage our growth, would adversely affect our business, financial condition and results of operations.

**We depend on the continued service of key management personnel. If we fail to retain our key management personnel, our business may suffer.**

Our ability to maintain our competitive position is dependent to a large degree on the continued service of our key management personnel, such as Mr. Yoji Sato, our Chief Executive Officer, Mr. Kohei SATO, President of Dynam and our other management personnel such as our zone and hall managers. In particular, our business is structured so that each department is run by a department head, each of whom reports directly to either our Chief Executive Officer or President of Dynam. Thus, Mr. Sato and Mr. Kohei SATO are the only individuals in our Group who have a collective and overall understanding of all of our operating departments. Also, consistent with common practice in Japan, we have not entered into employment contracts with our senior management or other full-time employees. See "Business — Employees". If one or more of our key executives become unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, we may not be able to fill their roles in a manner or on terms acceptable to us or at all. As a result, our business may be significantly disrupted, and we may be unable to effectively manage our business or implement our growth and development strategies, either of which could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we do not currently carry key person insurance for every member of our senior management team. The loss of any key personnel could have a material and adverse effect on our business, cash flow, financial condition, results of operations and prospects.

**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.**

Upon completion of the Global Offering, we will become a public company subject to the reporting obligations of the Hong Kong Stock Exchange. These obligations include, among others, preparing annual and interim reports of our business and results of operations, including financial statements in accordance with IFRS. Our reporting obligations as a public company and implementing necessary internal controls and risk management and policies will place substantial demands on our management and our operational and financial resources. Prior to the Global Offering, we have been a private company with a limited number of accounting personnel and other resources with which to address our internal controls over financial reporting. In this regard, effective internal controls over financial reporting is necessary for us to produce reliable financial reports and is important to help prevent fraud. We are in the process of training, managing and appropriately expanding our human resources and other components of our business and implementing and maintaining adequate management and financial controls to improve our internal controls in preparation of being a public company, which will likely require us to incur significant costs and devote substantial management time and efforts and other resources. Our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements.

We also must continue to improve and maintain our internal controls and risk management to manage our anticipated future growth, regulatory requirements applicable to our business and the growing demands of our business operations. In this regard, any system of controls, however well designed and operated, can only provide reasonable, and not absolute, assurance that the objectives of the system are met. As such, we may be subject to risks arising in relation to our internal controls and risk management, which could have a material adverse effect on our business, results of operations and financial condition and cash flows. We continue to review our internal control policies and procedures on an ongoing basis and have implemented measures to improve and remedy certain deficiencies identified through the assistance of an independent third-party consultant. However, we cannot assure you that we will be able to successfully address these issues on an ongoing basis. Moreover, even if we are able to address existing deficiencies, we cannot assure you that there will not be new deficiencies in our internal control policies and procedures. Any such deficiency, if material or significant, could adversely affect our management's ability to monitor, evaluate and manage our business and operations, or lead to substantial business or operational risk or inaccurate financial reporting, which could have a material adverse effect on our business, results of operations and financial condition.

**Our anti-money laundering policies and compliance with applicable anti-money laundering laws may not be sufficient in preventing the occurrence of money laundering activities at our pachinko halls.**

We have implemented anti-money laundering policies in compliance with all applicable laws and regulations in Japan. However, we cannot assure you that these policies will be effective to prevent our pachinko operations from being exploited for money laundering purposes. Any incidents of money laundering, accusations of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, or our patrons would have a material adverse impact on our reputation and our relationship with regulators, and would consequently materially adversely affect our business, financial condition, results of operations and prospects. Any serious incident of money laundering or regulatory investigation into money laundering activities would likely result in a revocation or suspension of our operating license. For more information regarding Japan's anti-money laundering regulations and our compliance measures, see "Internal Controls and Anti-money Laundering".

**We may not be able to renew leases or other contractual arrangements for the use of existing pachinko hall space, or to obtain desirable sites for the expansion of our operations, on satisfactory terms or at all.**

Since our inception, it has been our strategy to actively expand our operations by increasing the number of pachinko halls we operate in various locations throughout Japan. As at 31 March 2012, we have entered into lease agreements with landowners with respect to 299 parcels of land. We have constructed our pachinko halls at 269 of those sites, and have rented the buildings in which we conduct pachinko operations at the other 30 of those sites. Our land lease agreements typically run for an initial average period of 20 years, and generally provide that we will return the land in its original condition upon expiration or termination of the lease. Because the landowners from whom we lease land hold title to the land and we only hold title to the premises we construct on the land, we are required to demolish any properties that we construct on the land and return it to the lessor as a vacant site. Fifteen of our land lease agreements will expire in accordance with their terms within five years after the date of this Prospectus, and 86 will expire between six and ten years from the date of this Prospectus. If we are unable to or otherwise do not renew these agreements in a timely manner and on commercially reasonable terms or at all, we would have to demolish the pachinko halls at those locations and surrender the land upon expiration of the lease term.

We cannot assure you that we will be able to identify and successfully lease or purchase desirable locations for the construction and establishment of new pachinko halls. After identifying a potential site for establishing a new pachinko hall, we must make the relevant applications and obtain construction permits pursuant to the City Planning Act (Act No. 100 of 1968, as amended) and the Building Standard Act (Act No. 201 of 1950, as amended). We must also obtain national and prefectural approval for a license to operate a pachinko business at that site. If we are unable to locate desirable sites and enter into lease agreements for sites on which we intend to construct new pachinko halls, or obtain the requisite licences and/or approvals from the relevant local authorities, we may not be able to expand our business and operations as planned. Even with the requisite permits and approvals, we cannot assure you that the halls we establish on the properties we identify will be successful or attract customers.

**We may not be able to procure machines that continue to attract and retain customers as player preferences and market trends evolve over time.**

As a pachinko hall operator, our revenue is dependent on the amount of money that customers spend playing on our machines. Therefore, to remain competitive and maintain customer interest, we must constantly acquire and provide new and varied pachinko and pachislot machines. Machine costs comprise a significant portion of our operating expenses. Although we have been able to realise cost efficiencies due to our operating scale and our machine procurement strategies, machine costs remain largely out of our control, and average unit prices of pachinko machines have increased steadily during the Track Record Period. While we collect information from our membership system and IT system on the utilisation and performance of our machines in order to aid our machine procurement strategy, we cannot assure you that the machines we procure and install at our pachinko halls will be well-received by our customers. We also cannot assure you that the manufacturers from whom we source our new machines will receive the requisite regulatory approvals for private brand machines we develop and purchase. In addition, we cannot assure you that we will be able to accurately anticipate changes in player preferences, industry trends or general changes in customer behaviour or preferences, such as a redirection of leisure spending to other types of leisure and entertainment activities. These factors individually or collectively could result in the reduced utilisation of, and a corresponding decrease in operating revenue generated from, our machines. If our machine procurement strategy fails to attract and retain customers, our business, results of operations and financial condition may be adversely affected.

**Our business may be adversely affected by natural disasters or disease outbreaks.**

Japan is one of the most seismically active countries in the world and it also regularly experiences typhoons and other natural disasters. In the event of a large earthquake, other natural disaster or outbreak of an epidemic that impacts our employees or our ability to continue operating our pachinko facilities, or that impacts our suppliers' ability to continue their manufacturing or other operational activities, we could face significant disruptions in our business operations. For example, we were forced to temporarily close approximately 100 of our pachinko halls as a result of the Great East Japan Earthquake, resulting, among others, in lost revenue and property damage at these locations. See "— Our business may be adversely affected by the continuing effects of the Great East Japan Earthquake and ensuing events". Any such natural disaster or epidemic would also have a large impact on our customers, which could in turn decrease discretionary spending and affect demand for our offerings. See "— Our business may be affected by downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending."

In addition, there have been several outbreaks of infectious diseases in recent years, particularly in Asia. Most recently, in June 2009, the World Health Organisation (the "WHO") declared the outbreak of H1N1 influenza ("H1N1") to be a pandemic, following which the governments of many regions implemented quarantine and other preventive measures. Prior to that, during 2004, large parts of Asia experienced outbreaks of avian flu which, according to a report of the WHO in 2004, placed the world at risk of an influenza pandemic with high mortality and social and economic disruption. Potential future outbreaks of severe acute respiratory syndrome, swine flu, avian flu or other highly infectious diseases, or fears concerning such an outbreak, may adversely affect the number of visitors to our existing and planned pachinko halls. The perception that an outbreak of contagious disease may occur again may also have an adverse effect on general economic conditions in Asia.

In accordance with industry practice in Japan, we do not carry earthquake insurance. Further, we do not carry business interruption insurance. With or without insurance, damage to any of our offices, branches or pachinko halls due to fire, earthquake, typhoon, flood, terrorism, outbreaks such as the H1N1 pandemic, avian flu or other man-made or natural disasters or casualty events may materially and adversely affect our business, financial condition and results of operations.

**The inherent element of chance may affect payout ratios in spite of our adherence to pachinko industry regulations and practice.**

Although the Amusement Business Law sets certain limits on the payout ratios of pachinko and pachislot machines, pachinko and pachislot games are characterised by an element of chance, which is beyond our control. In addition to the element of chance, results of play are also affected by other factors, including players' skill and experience, the mix of games played, the financial resources of players and the amount of time players spend on playing pachinko and pachislot games. These factors, alone or in combination, have the potential to negatively impact our payout ratios, which may materially and adversely affect our business, results of operations and financial condition.

**We recorded net current liabilities at times during the Track Record Period.**

We recorded net current liabilities of approximately ¥22,776 million and ¥10,254 million at 31 March 2010 and 2011, respectively. These amounts primarily reflected balances outstanding under our credit facilities. If our current liabilities exceed our current assets, or if we otherwise do not have sufficient working capital, we may not be able to satisfy our current liabilities, or to expand our operations as anticipated. As at 31 March 2012, we had net current assets of approximately ¥3,487 million (equivalent to approximately HK$328 million).

**Our insurance coverage may not be adequate to cover all possible operational losses that we could suffer. In addition, our insurance costs may increase and we may not be able to obtain the same level of insurance coverage in the future.**

We maintain fire insurance for our pachinko halls and operating properties from fire damage. We also maintain movable property insurance, which insures our movable property from theft and burglary, and public liability insurance for third party physical injuries and property damage, and labour and health insurance for our full-time employees. We do not carry business interruption insurance. Each policy contains certain customary exclusions; in addition, certain events such as nuclear events, labour strikes, acts of war or terrorism, and epidemic outbreaks are excluded from coverage by these insurance policies. Therefore, certain acts and events could expose us to substantial uninsured losses. We may suffer business disruption as a result of these events or be subject to claims by third parties who were injured or harmed. Our insurance may not continue to be available on commercially reasonable terms and, in any event, may not be adequate to cover all losses. If we incur losses or damages for amounts exceeding the limits of our insurance coverage, or for claims outside the scope of our insurance coverage, our business, financial condition and results of operations could be materially and adversely affected.

Moreover, we may be unable to renew or replace our existing insurance policies when they expire on commercially reasonable terms, or at all, which could result in substantially higher insurance costs, a reduction of our policy limits, certain exclusions from our coverage, an increase of our deductibles, and/or a significant increase our risk of loss or damage due to uninsured events. In addition, any failure to renew or replace an insurance policy that may be required under our various credit and other material agreements may affect our ability to operate. Failure to satisfy these requirements could result in an event of default under these credit or other material agreements and have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our use of derivatives to manage and reduce financing risks may adversely affect our financial condition and results of operations.**

We utilise derivative instruments to reduce the risk in interest payable in financing by changing floating rates to fixed rates for our long-term loans payable. However, we may not be able to successfully manage our risk through the use of derivatives. For example, we have entered into interest rate swap contracts to manage these risks with various counterparties, but, due to reasons out of our control, our counterparties may fail to honour the terms of their derivatives contracts with us, and we may be exposed to additional risks. Alternatively, our ability to enter into derivative transactions may be adversely affected if our credit ratings are downgraded. Ineffective management of our derivatives contracts or an inability to enter into new, and maintain existing, derivatives contracts to reduce our financing risks may adversely affect our financial condition and results of operations.

**Our Controlling Shareholders have the ability to exercise substantial influence or control over us, which allows them to influence or control our business in ways that might not be in the interests of other Shareholders.**

Mr. Sato, Rich-O and the Sato Family Members, upon completion of the Global Offering and assuming the Over-Allotment Option is not exercised, will own a total of approximately 68.2% of our issued and outstanding Shares. As a result, for the foreseeable future, through their respective voting control, Mr. Sato, Rich-O and each of the Sato Family Members will be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board of Directors, selection of our senior management, our overall strategic and investment decisions, issue of securities and adjustment to our capital structure, amendments to our Articles of Incorporation, and other corporate actions requiring approval of our Shareholders, including a merger, consolidation or sale of our assets, or any other change of control event that may benefit our other Shareholders generally. Many of these actions are permitted to be taken without the approval of independent Directors or other Shareholders. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control. Mr. Sato, Rich-O, or the Sato Family Members may exercise control over us in ways that conflict with the interests of our other Shareholders, and you as a minority Shareholder could be disadvantaged.

**From time to time, we may be involved in legal and other proceedings arising out of our operations.**

We may be involved in disputes with various parties involved in the operation of our pachinko halls, including contractual disputes with suppliers and other claims of liability. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management's attention. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decisions that result in penalties being imposed on us. In such cases, our business, results of operations and financial condition could be materially and adversely affected.

**RISKS RELATING TO OUR INDUSTRY**

**Regulatory or governmental policies, or interpretations of such policies, that affect the pachinko industry in Japan could change.**

The pachinko industry is subject to a variety of laws and regulations in Japan. For example, pachinko hall operators must apply for a hall operating licence from the Public Safety Commission of the prefecture where the hall is to be established. The Public Safety Commission has the authority to impose conditions on the license as well as to cancel the license or suspend operations if the pachinko hall operator violates the Amusement Business Law or other applicable laws and regulations. Many other aspects of pachinko hall operations are regulated under the Amusement Business Law, such as the maximum amount a player can spend, the method by which prizes can be awarded, the payout ratios of pachinko machines and advertising. There is limited precedent interpreting and applying the Amusement Business Law and regulations concerning the Three Party System for pachinko operations. An administrative body may issue new or modified regulations, or a court or administrative or regulatory body may render a new interpretation of current laws and regulations, which may require us to significantly change the ways in which we operate or impose additional obligations on us as a pachinko hall operator. For example, a regulation was adopted in 2004 with the aim of de-emphasising the gambling nature of pachislot games, setting a cap on the potential payout value of bonus rounds that could be accumulated during the course of play. This regulation resulted in a sharp drop in the popularity of pachislot, which adversely impacted the operating results of pachinko operators across the industry, including us. See "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Policies and Regulations Relating to the Pachinko Industry".

Any future regulatory changes could be difficult to comply with, limit our ability to grow our business, or increase the time, cost and other resources required to maintain compliance, any of which could materially and adversely affect our business, result of operations, financial condition and prospects.

**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.**

The pachinko industry is currently primarily regulated by the Amusement Business Law, which also regulates the restaurant and bar industries in Japan. In particular, the Amusement Business Law prohibits awarding cash or securities to customers as a prize or buying back prizes from customers. These activities would also constitute illegal gambling under the Penal Code of Japan. In order to ensure that pachinko does not constitute gambling, the pachinko industry operates based on a "Three Party System" pursuant to which pachinko hall operators, G-prize wholesalers, and prize buyers operate their respective businesses independently of each other. See “Business — Pachinko Operations — Three Party System”. There is currently no law that explicitly or directly addresses the legality of the Three Party System. We cannot assure you that the Three Party System will not in the future be deemed to violate the Amusement Business Law or that pachinko and pachislot games will not be deemed to constitute gambling activities in violation of the Penal Code of Japan. Any such determination would materially and adversely affect our business, results of operations, financial condition and prospects.

**The pachinko industry is experiencing a downward trend in market size, which may have an adverse effect on our business and results of operations.**

According to Yano Research, gross pay-ins for the pachinko industry have been declining since 2006, due in part to the shift towards low playing cost machines and in part to the introduction of legislation de-emphasising the gaming nature of pachislot machines. In response to this shift in customer demand, one of our business strategies has been to increase our customer base by promoting low playing cost games in an environment for entertainment rather than gambling, as reflected in our increase in the number and proportion of low playing cost machines in our pachinko halls. As a result, our gross pay-ins over the Track Record Period reflected a decline similar to the industry-wide trend, partly attributable to customers who migrated from high to low playing cost games. An overall reduction in the size of the pachinko market may have an adverse effect on our business, results of operations and financial condition.

## RISKS RELATING TO OUR SHARES

**An active trading market for our Shares may not develop, which could have a material and adverse effect on our Share price and on your ability to sell your Shares.**

Prior to the Global Offering, there was no public market for our Shares. While we have applied to list and deal in our Shares on the Stock Exchange, we cannot predict the extent to which investor interest in our Company will lead to the development of a trading market on the Stock Exchange or otherwise or how active and liquid that market may become. If an active and liquid trading market does not develop, you may have difficulty selling any of our Shares that you purchase. The Offer Price of the Offer Shares was the result of negotiations between us and the Joint Bookrunners (on behalf of the International Underwriters), and it may not necessarily be indicative of the market price of our Shares after the Global Offering is complete. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares.

**The market price and trading volume for our Shares may be volatile.**

The price and trading volume of our Shares may be highly volatile. Factors such as global and local economic conditions, the foreign currency exchange rate between the Japanese yen and the Hong Kong dollar, variations in our operating results, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance. As a result, investors in our Shares may experience volatility in the market price of our Shares and a decrease In the value of our Shares regardless of our operating performance or prospects.

**Potential investors will experience immediate dilution as a result of the Global Offering.**

Potential investors will pay a price per Share that exceeds the net tangible asset value per Share prior to the Global Offering. As a result, purchasers of our Shares will therefore experience immediate dilution in our net tangible asset value of approximately HK$1.2 per Share, representing the difference between our unaudited pro forma adjusted net tangible asset value per share as of 31 March 2012 after giving effect to this Global Offering (net of underwriting commissions and other expenses) and an assumed Offer Price of HK$15, being the midpoint of the indicative Offer Price range. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. If the Joint Bookrunners (on behalf of the International Underwriters) exercise the Over-Allotment Option or if we issue additional Shares in the future, investors of our Shares may experience further dilution.

**Your interest may be diluted as a result of additional equity fund-raising.**

We may need to raise additional funds in the future to finance further expansion of, or new developments relating to, our existing operations. If additional funds are raised through the issue of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced, thereby resulting in dilution. Furthermore, such newly issued securities may confer rights, preferences or privileges superior to those of the existing Shares.

**Substantial future sales or speculated sales of our Shares in the public market could cause the price of our Shares to decline.**

Sales of our Shares in the public market after the Global Offering, or speculation that these sales could occur, could cause the market price of our Shares to decline. Upon completion of this Global Offering, we will have 742,850,360 Shares outstanding, or 759,650,360 Shares outstanding if the Underwriters exercise their Over-Allotment Option. Certain holders of our Shares will be able to sell their Shares upon the expiration of certain lock-up periods. See "Underwriting". We cannot predict what effect, if any, market sales of securities held by our significant Shareholders or any other Shareholders or the availability of these securities for future sale will have on the market price of our Shares.

**Dividends paid in the past should not be treated as indicative of future dividend payments or our future dividend policy.**

In the past, we have declared interim and/or final dividends totalling in the aggregate approximately ¥7,245 million, ¥4,312 million and ¥8,052 million (equivalent to approximately HK$757 million) in the years ended 31 March 2010, 2011 and 2012, respectively. Purchasers of the Offer Shares in the Global Offering will not be entitled to these dividends. These dividends were financed by our internal resources. Future dividends on our Shares will be declared by, and are subject to the sole and absolute discretion of, our Board of Directors in accordance with our Articles of Incorporation (subject to financial covenants and other restrictions that may exist with respect to financing arrangements or other agreements we may enter into). The payment and the amount of any dividends will depend on our earnings, financial condition, results of operations, cash flows, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. We cannot assure you that future dividends will be declared or paid in an amount equivalent to or exceeding historical dividends. Therefore, you should be aware that historical dividends are not an indication of the amount or frequency of future dividends.

For a discussion of our dividend policy, see “Financial Information — Dividend Policy”.

**We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries.**

We are a holding company incorporated under the laws of Japan. All of our business operations are conducted through our subsidiaries, and we are dependent upon our subsidiaries for all of our cash flow. Our ability to pay dividends is dependent upon the earnings of our subsidiaries and their distributions of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends upon, among other things, their distributable earnings and their ability to service their debt obligations. As advised by our Japan Legal Adviser, under Japanese law, payment of dividends is permitted by the Board’s resolution within the amount of distributable profit calculated under the Companies Act. Subject to any applicable tax treaties, dividends are ordinarily subject to a 20% tax. Deacons, our Hong Kong legal advisers, have confirmed that as at the Latest Practicable Date, there was no withholding tax for dividends in Hong Kong. Other factors such as cash flow conditions, restrictions on distributions contained in our subsidiaries’ articles of incorporation, restrictions contained in their debt instruments, withholding tax and other arrangements will also affect our subsidiaries’ ability to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries, which in turn would restrict our ability to fund our operations and pay dividends on the Offer Shares.

**Fluctuations in exchange rates could affect the actual amounts of dividends paid to our Shareholders.**

All Shareholders other than CCASS Beneficial Owners have the option of receiving dividends in either Japanese yen or Hong Kong dollars. Because we currently generate all our revenue in Japan, the cash dividends on our Shares, if any, will be declared in Japanese yen, but may be paid in Hong Kong dollars to our CCASS Beneficial Owners and our Shareholders who elect to receive dividends in Hong Kong dollars. Our CCASS Beneficial Owners may only receive dividends in Hong Kong dollars. Any significant devaluation of the Japanese yen may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a depreciation of the Japanese yen against the Hong Kong dollar may reduce the Hong Kong dollar equivalent of our dividends.

**Certain statistics, projected industry data and other information relating to the economy and the pachinko industry contained in this Prospectus are derived from third party market research reports or news sources and may not be reliable.**

Statistics, projected industry data and other information relating to the economy and the industry contained in this Prospectus have been derived from various publications with information provided by a Japanese third party market research company. We cannot assure you, or make any representation, as to the accuracy, completeness, quality or reliability of such information. Neither we nor any of our respective affiliates or advisors, nor the Joint Global Coordinators or any of their respective affiliates or advisors, have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from the third party market research report. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, projected industry data and other information relating to the economy and the industry derived from the third party market research report may be inaccurate or may not be comparable to or consistent with information available from other sources and should not be unduly relied upon. In all cases, you should give careful consideration as to how much weight or importance you should attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

**You should read the entire Prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any financial projections, valuations or other forward looking information.**

There has been media coverage in certain Hong Kong news publications regarding us and the Global Offering which includes certain projections, valuations and other forward looking information that are not directly attributable to statements made by us. We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of any press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward looking information, or of any assumptions underlying such projections, valuations or other forward looking information, included in or referred to by the media. To the extent that any such statements are inconsistent, or conflict, with the information contained in this Prospectus, we disclaim them. Accordingly, prospective investors should not rely on any such information contained in press articles or other media. Potential investors making a decision as to whether to apply for Shares should rely solely on the information contained in this Prospectus and the Application Forms and not place any reliance on any other information.