This section and other sections of this Prospectus contain information relating to Japan and the pachinko industry in Japan. The information has been derived from various publications, including government agencies, commissioned reports by Yano Research and EBI, and other third party sources. While we and our Directors have taken reasonable care in the extraction, compilation and reproduction of the information derived from independent sources, we cannot assure you as to the accuracy or completeness of such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Neither we nor any of our respective affiliates or advisors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, nor any of their respective affiliates or advisors have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from independent sources, and such information may not be consistent with that available from other sources and should not be unduly relied upon. See "Risk Factors — Risks Relating to Our Shares — 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".

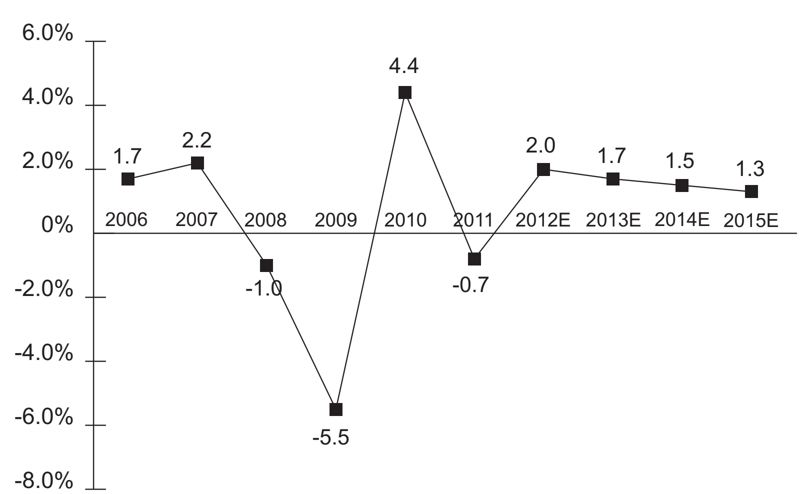
OVERVIEW OF THE JAPANESE ECONOMY

Third largest economy in the world

The Japanese economy is the third largest in the world. Although Japan's real GDP grew at an average rate of approximately 1.8% annually from 2003 to 2007, the global financial crisis and the resulting contraction in domestic demand saw the economy shrink 1.0% in 2008 and 5.5% in 2009. When circumstances improved in 2010, real GDP again grew at approximately 4.4%. However, the Great East Japan Earthquake and resulting tsunami in March 2011 caused Japan's real GDP to contract in 2011, but it is expected to subsequently grow.

The following chart sets out the annual percentage change in Japan's real GDP for the years indicated:

Annual percentage change in Japan's real GDP



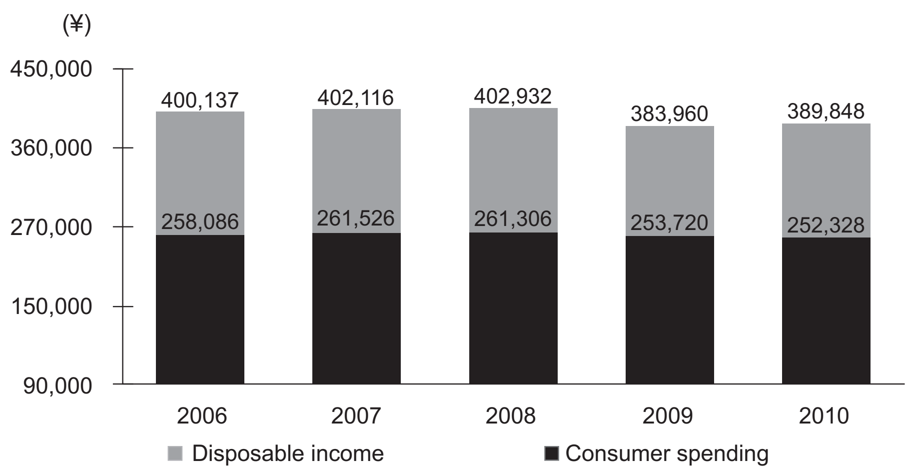
Source: International Monetary Fund

Relatively stable disposable income and consumer spending

Despite slow real GDP growth and the effect of the global financial crisis in 2008, the level of monthly disposable income and consumer spending per household remained relatively stable between 2006 and 2010.

The following chart sets out the monthly disposable income and the consumer spending per household for the years indicated:

Monthly disposable income and consumer spending per household



Source: Japan Statistics Bureau

THE PACHINKO INDUSTRY IN JAPAN

References in this Prospectus to pachinko as an industry include both pachinko and pachislot, and to "pachinko halls" indicate halls with pachinko machines, pachislot machines, or both.

History and development of the industry

Pachinko is one of the most popular forms of entertainment. Pachinko machines first appeared in Japan in the 1920s as children's toys, and evolved rapidly into an adult pastime in Nagoya around 1930. Pachinko halls were closed down during World War II, and did not re-emerge in the entertainment industry until the late 1940s. In that era, pachinko machines were mechanical devices with simple designs consisting of bells and flashlights, which remained largely unchanged through the 1970s. It was not until the 1980s that video and sound features were integrated into the design of pachinko machines.

The first slot machine in history was invented in 1899 in the United States. A few decades later, adapted and further developed by game console maker Sega, pachislot machines were introduced in Okinawa, Japan, and were named "Olympia machine" as its debut coincided with the Tokyo Olympics in 1964. While the configuration and method of play remains simple — matching pictures on spinning reels in the playing field by pressing the stop buttons, the machine itself is now controlled by computer chips.

Nowadays, pachinko and pachislot machines are equipped with computer chips, stereo sound systems and advanced liquid crystal display video screens that display enriched content, such as popular animation, drama characters and various celebrities, and enhance the playing experience for the customer.

The playing cost for pachinko and pachislot had been 4-yen and 20-yen per ball or token, respectively, until 1-yen pachinko was introduced in 2006. Low playing cost pachinko reduces the gaming features and enhances the entertainment value of pachinko as it enables a lower participation cost and allows players to play longer for the same playing cost. Low playing cost pachinko were introduced to address the dwindling population of pachinko players.

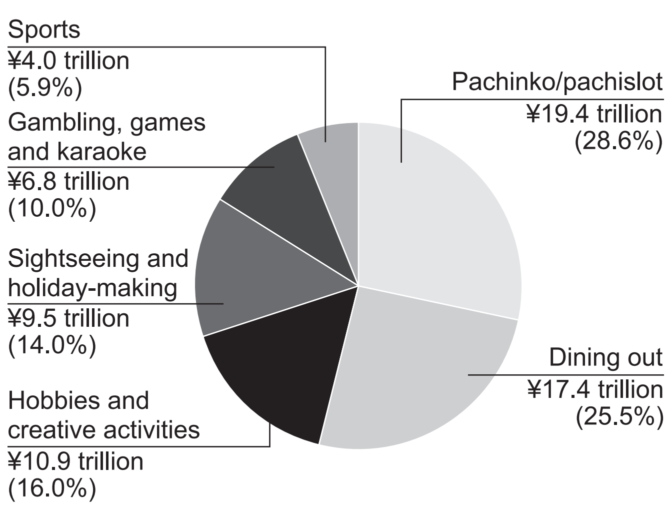
The pachinko industry is under the close supervision of the Japanese government, and rules and regulations have been regularly introduced to control its gaming features. There are strict rules under the Amusement Business Law governing the licencing of pachinko hall operators, payout ratios and technical specifications of machines. For a further description of these laws and regulations, see "Laws and Regulations". In addition, pachinko operators have voluntarily formed self-governing associations to invite comments and feedback from the general public, to support efforts to prevent addiction to gaming, and to generally promote the pachinko industry.

Largest contributor to Japan's entertainment and gaming market

According to the Leisure White Paper 2011 published by Japan Productivity Centre, Japan's entertainment market is estimated to be a ¥67.9 trillion business. The pachinko industry, with gross pay-ins of ¥19.4 trillion, was the largest contributor to Japan's entertainment market, accounting for approximately 28.6% of Japan's entertainment market in 2010.

The following diagram illustrates the entertainment market in Japan in terms of revenue by type of activity in 2010:

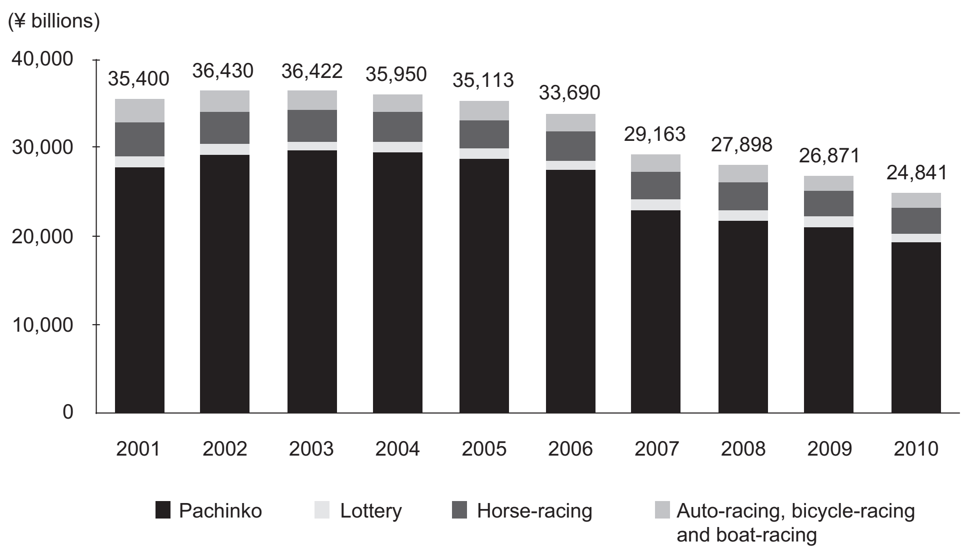
Japan's entertainment market



Source: Leisure White Paper 2011 by the Japan Productivity Centre

In addition, the pachinko industry has dominated the gaming sector in Japan for the past decade. According to EBI, the pachinko industry represented 78.0% of the general gaming market in Japan in 2010. In terms of gross pay-ins, the pachinko industry, with gross pay-ins of ¥19.4 trillion, was the largest. The following diagram illustrates the gaming market in terms of gross pay-ins by activity.

Transition of gaming market scale



Source: Leisure White Paper 2011 by the Japan Productivity Centre and EBI

Market trends

According to Yano Research, the pachinko industry peaked in 1995, with total gross pay-ins of ¥30.9 trillion. The pachinko industry experienced a downward trend from 2006 to 2010 with total gross pay-ins declining from ¥27.5 trillion in 2006 to ¥19.4 trillion in 2010. Such drop in gross pay-ins was primarily due to factors such as an increasing proportion of low playing cost pachinko machines in the market, a decreasing number of halls, and a regulation that was adopted in 2004 and phased in by 2007 with the aim of de-emphasising the gambling feature of pachislot games.

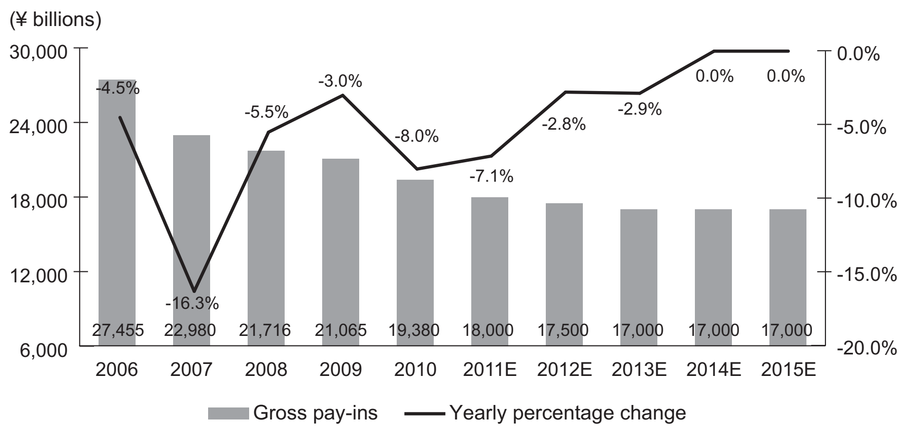
There are various key factors that potentially affect the profitability of a pachinko hall operator, including the scale of operations, mix of machines and G-prize mark-ups. Because of the smaller scale of their operations, small- and medium-sized hall operators, which are unable to leverage economies of scale, have been gradually pushed out of the market and are sometimes acquired by or merged into larger operators. Therefore, according to EBI, the number of halls is expected to shrink. However, we believe that this will result in an increase in gross pay-ins per hall over time.

In addition, low playing cost pachinko and pachislot games are expected to further gain popularity. As a result, the number and proportion of low playing cost machines are projected to rise in the next two years until the supply and demand of both low and high playing cost games have reached an equilibrium. The increasing proportion of low playing cost machines will also lead to the decrease in gross pay-ins in the subsequent two years, according to EBI.

Notwithstanding the above, once an equilibrium is reached and pachinko halls become saturated with low playing cost machines, gross pay-ins are expected to cease falling in 2013 and subsequently stabilise at sustainable levels.

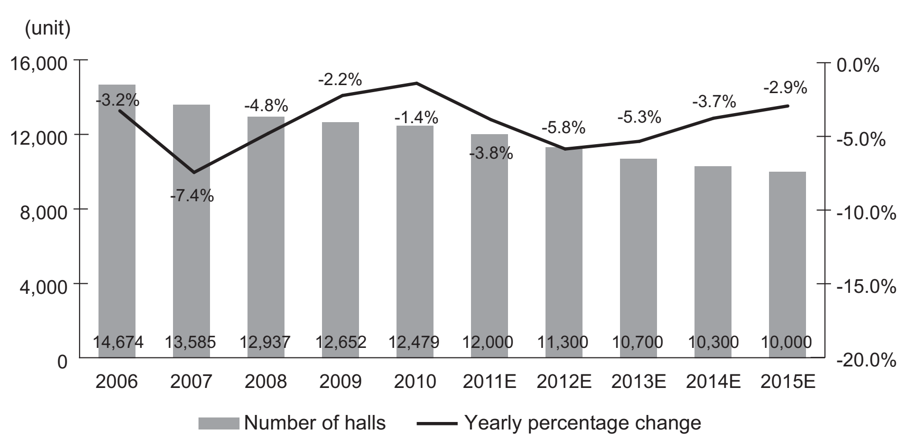
The following two charts set forth the total gross pay-ins of the Japanese pachinko industry, the number of halls and the annual percentage change for the years indicated:

Gross pay-ins of pachinko halls



Source: Leisure White Paper 2011 by the Japan Productivity Centre and EBI

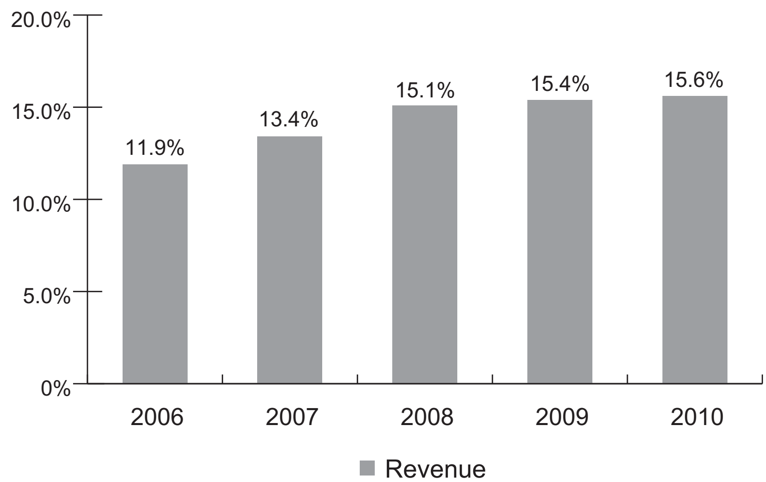
Number of pachinko halls



Source: National Police Agency and EBI

According to EBI, despite the effect of decreasing gross pay-ins and a decreasing number of halls, the revenue margin per machine increased from 11.9% in 2006 to 15.6% in 2010. According to EBI, hall operators manage payout ratios by, among other things, adjusting the proportion of machines according to playing cost and jackpot probability, which in turn allows them to manage revenue margins. The following diagram sets forth the revenue margin per machine for the years indicated.

Revenue margin per machine



Source: EBI

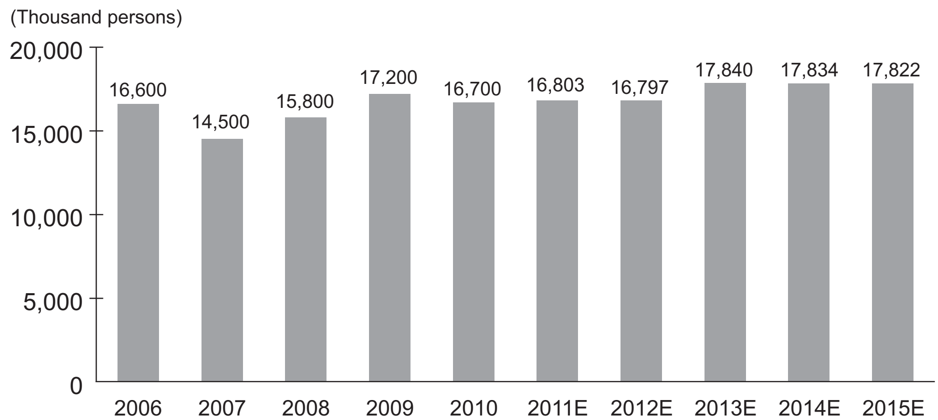
Pachinko players

The population of pachinko players has recovered from its recent decline in 2007, increasing from approximately 14.5 million in 2007 to 16.7 million in 2010. According to Yano Research, the drop in 2007 was primarily due to a regulatory change that was introduced in 2004 and phased in by 2007 with the aim of de-emphasising the gaming features of pachislot games and which resulted in the elimination of a type of pachislot machine with certain gambling features. The pachinko playing population increased afterwards due to the recovering popularity of pachislot and the introduction of low playing cost machines.

According to EBI, the number of pachinko players is expected to remain relatively stable through 2012, and then to increase to approximately 18.0 million in 2015. This projected increase in pachinko players is anticipated to be largely drawn from the base of dormant pachinko players. It is estimated that there are 20.0 million dormant pachinko players who may resume playing under certain circumstances, such as improved personal finances, lower playing costs or higher payout ratios.

The following chart sets forth the number of pachinko players for the years indicated:

Number of pachinko players

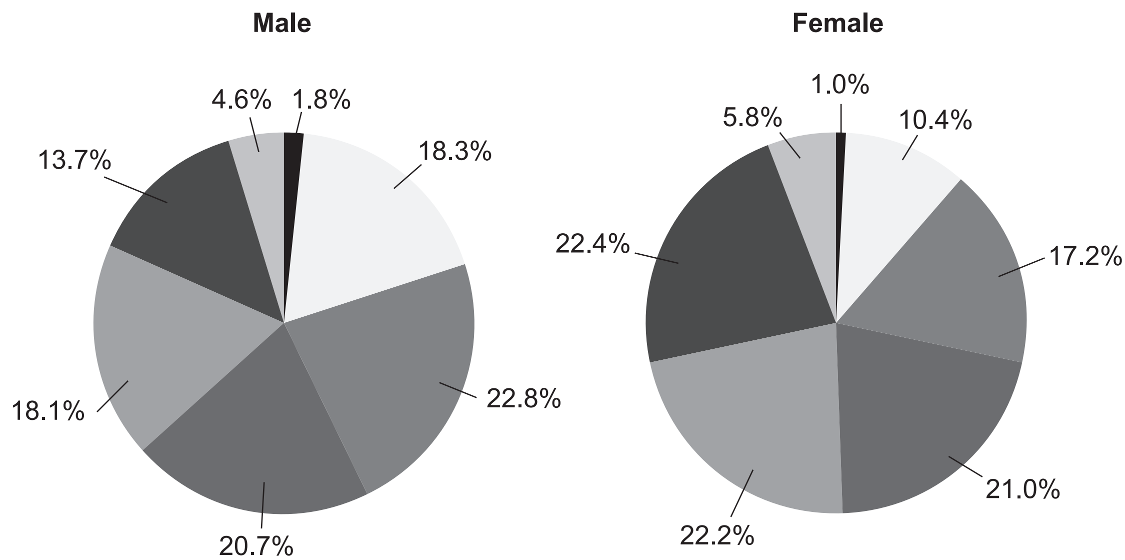


Source: Leisure White Paper 2011 by the Japan Productivity Centre and EBI

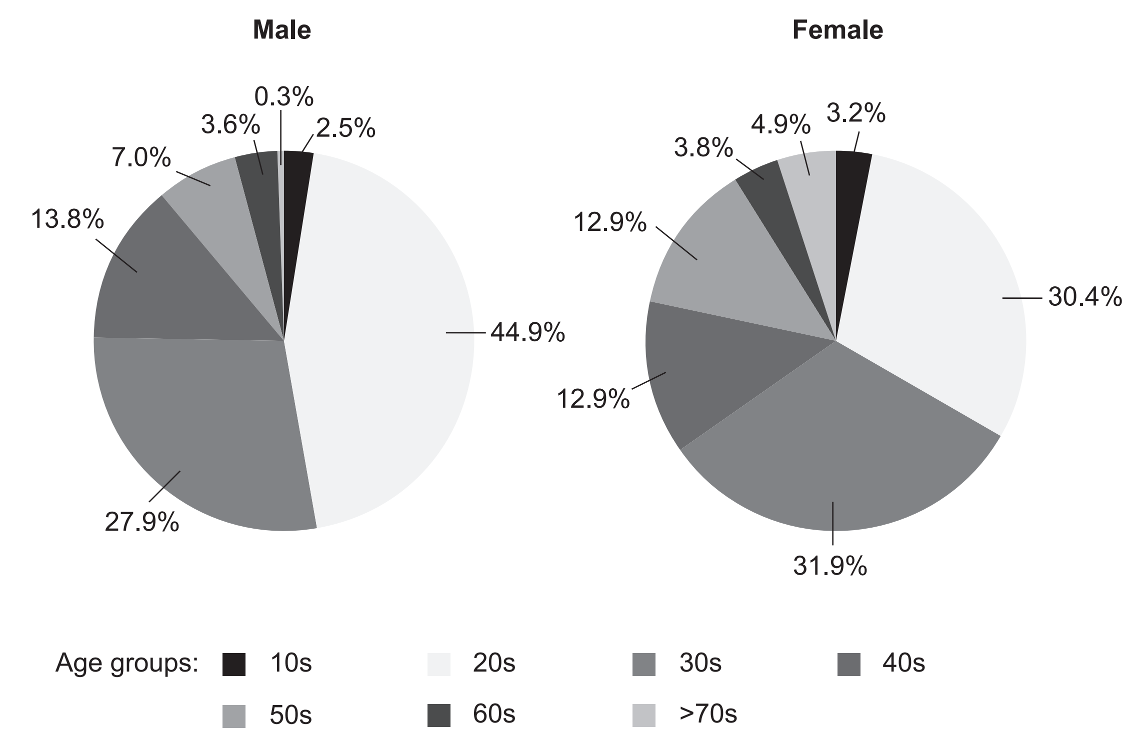
According to Yano Research, the average age of pachinko players was 44.4 for males and 49.5 for females, and 33.6 and 38.1 for male and female pachislot players, respectively, in 2010. In addition, the majority of pachinko players were from the age group of 40 to 69, representing 52.5% of the entire male pachinko player population and 65.6% of the entire female pachinko player population, while the majority of pachislot players were from the age group of 20 to 39, representing 72.8% and 62.3% of the entire male and female pachislot player population, respectively.

The following diagrams set out breakdowns of pachinko and pachislot players in 2010 by gender and age group:

Pachinko players by gender and age group



Pachislot players by gender and age group



Source: Yano Research

According to Yano Research, the highest concentration of male pachinko and pachislot players in terms of occupation was full-time employees, while housewives were the most prevalent amongst female players. As for pachinko, pensioners represented about 7% of the relevant players for both male and female, a significant higher figure than that of pachislot. Pachislot was more popular amongst younger players and college students accounted for around 11% of the male player population in 2010.

The diagrams below set forth the distribution of male and female player population in 2010 by occupation for pachinko and pachislot respectively:

Pachinko players by occupation

Pachislot players by occupation

Source: Yano Research

Competitive landscape

The pachinko industry in Japan is fragmented with over 4,000 operators in 2010. According to Yano Research, as at 31 December 2010, the aggregate gross pay-ins recorded in 2010 by the top five and top ten hall operators, accounted for about 20.1% and 25.1% of the entire market, respectively, while the aggregate number of halls operated by these top five and top ten operators merely represented approximately 7.2% and 8.8% of the total 12,479 operating halls, respectively, in 2010.

Summary of the top 10 pachinko operators in 2010

Ranking by total gross pay-ins	Pachinko hall operators	Approximate % of total gross pay-ins	Approximate % of total number of machines	Number of halls	Approximate % of total number of halls
1	A	10.5%	3.7%	269	2.2%
2	Dynam	4.4%	3.3%	341(1)	2.7%
3	B	2.0%	0.5%	46	0.4%
4	C	2.0%	2.2%	202	1.6%
5	D	1.2%	0.4%	35	0.3%
6	E	1.1%	0.6%	50	0.4%
7	F	1.1%	0.5%	48	0.4%
8	G	1.0%	0.5%	31	0.3%
9	H	0.9%	0.3%	26	0.2%
10	I	0.9%	0.6%	37	0.3%
Total		25.1%	12.6%	1,085	8.8%

Source: Yano Research

(1) Includes only the halls operated by Dynam

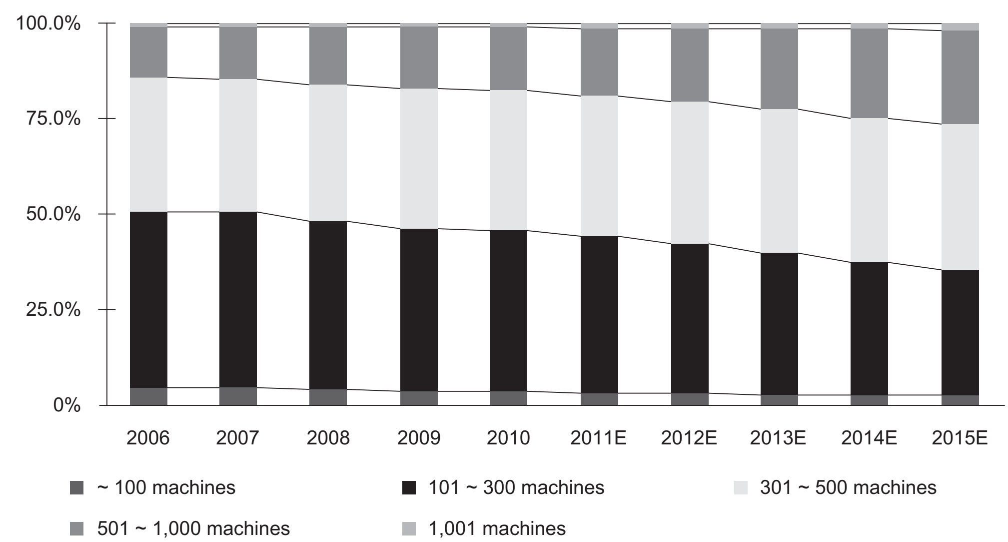
As shown in the above table, there were, including Dynam, only three pachinko hall operators managing more than 100 halls, as at 31 December 2010. These three hall operators are considered to be the nationwide chain operators, where the rest are regional and local hall operators. According to Yano Research, when opening a new pachinko hall, these well-known and highly recognised brand name operators tend to have a more favourable turnout, pulling customers away from regional and local hall operators.

While both the aggregate numbers of machines and hall operators have been decreasing, the average number of machines per hall has been increasing in recent years, from approximately 345 machines per hall in 2005 to approximately 370 in 2010, as indicated by the data from the National Police Agency. This trend is expected to continue in the next few years and the average number of machines per hall in 2015 will be approximately 424, according to EBI. The following table and diagram set forth the number of and the percentage of hall operators by average number of machines per hall for the periods indicated:

Number of halls by the average number of machines per hall

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
Under 100 machines	653	654	538	464	463	400	350	300	250	250
101–300 machines	6,800	6,204	5,664	5,374	5,216	4,850	4,500	4,000	3,600	3,300
301–500 machines	5,153	4,710	4,649	4,627	4,585	4,400	4,250	4,100	3,900	3,850
501–1000 machines	1,955	1,914	1,976	2,069	2,076	2,100	2,200	2,300	2,400	2,500
Over 1001 machines	113	103	110	118	139	145	150	155	160	175
Total	14,674	13,585	12,937	12,652	12,479	11,895	11,450	10,855	10,310	10,075
Average	345	348	359	367	370	377	387	401	414	424

Transition in the number of halls per size



Source: National Police Agency and EBI

According to Yano Research, the number of pachinko halls in Japan decreased from 14,674 in 2006 to 12,479 in 2010. Over 80% of hall operators manage three halls or less and only 3.7% of hall operators manage ten halls or more. The average number of halls operated per hall operator remained at approximately three during this period.

The fragmented pachinko industry continues to experience a trend where smaller operators being put out of business by large competitors with greater financial, staff and other necessary resources and operational experience. The following table sets forth the number of hall operators by number of halls operated for the years indicated:

Number of hall operators by the number of halls operated

	2006		2007		2008		2009		2010	
		%		%		%		%		%
One hall	2,654	53.6%	2,412	53.9%	2,419	55.2%	2,365	55.0%	2,235	54.4%
Two halls	984	19.9%	889	19.9%	840	19.2%	839	19.5%	796	19.4%
Three halls	493	10.0%	416	9.3%	402	9.2%	388	9.0%	388	9.4%
Four halls	247	5.0%	221	4.9%	204	4.6%	191	4.4%	188	4.6%
5–9 halls	411	8.3%	376	8.4%	355	8.1%	363	8.4%	350	8.5%
10–14 halls	79	1.6%	81	1.8%	83	1.9%	74	1.7%	69	1.7%
15–19 halls	35	0.7%	41	0.9%	39	0.9%	41	1.0%	37	0.9%
Over 20 halls	47	0.9%	40	0.9%	38	0.9%	42	1.0%	46	1.1%
Total	4,950	100.0%	4,476	100.0%	4,380	100.0%	4,303	100.0%	4,109	100.0%

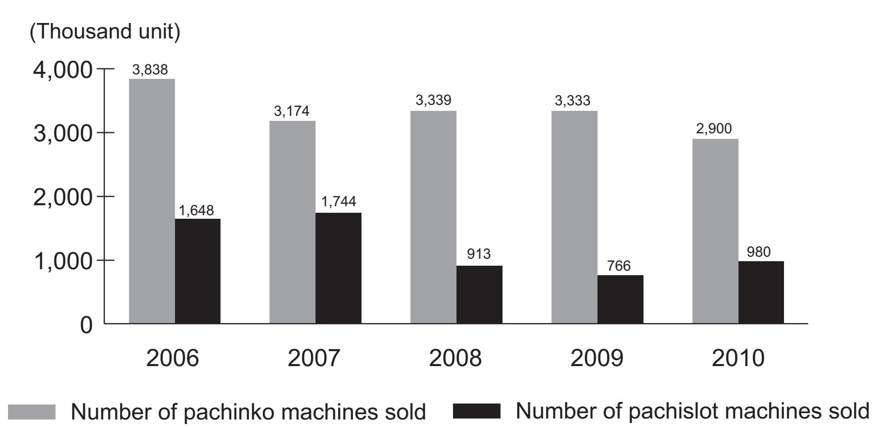
Source: Yano Research

Pachinko and pachislot machine manufacturing

Both the pachinko and pachislot machine manufacturing markets in Japan are well-developed. According to Yano Research, the numbers of pachinko and pachislot machines sold in 2010 were approximately 2.9 million and 0.9 million units, respectively, resulting in revenues of approximately ¥886.9 billion and ¥286.7 billion, respectively. According to Yano Research, the top five manufacturers accounted for over 70.0% of the entire market, in terms of the number of machines sold and revenue generated from those sales in 2010.

The following diagram shows the number of pachinko and pachislot machines sold for the years indicated:

Number of pachinko and pachislot machines sold



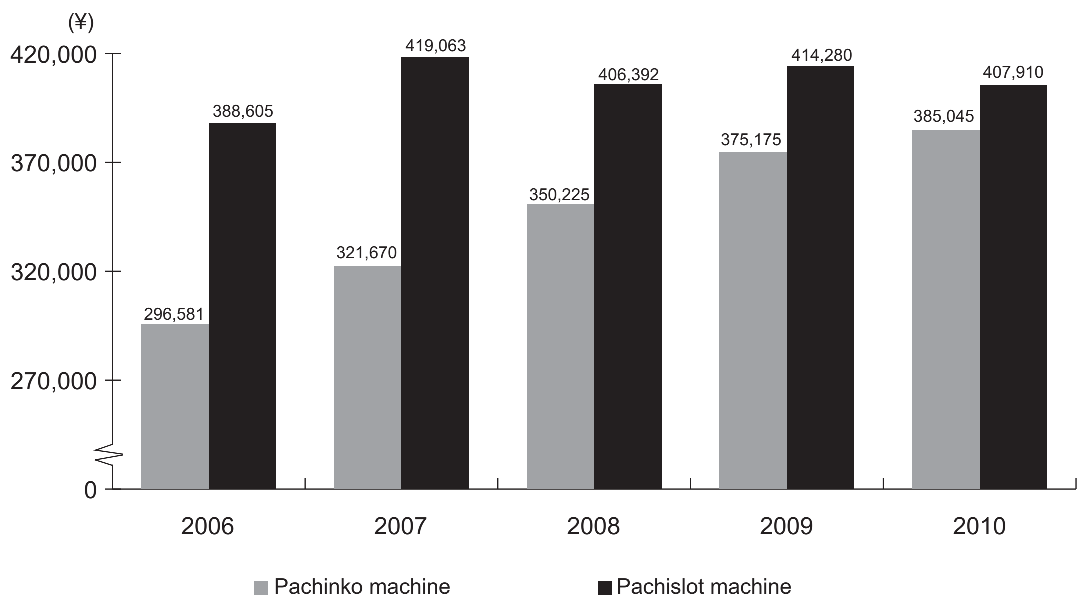
Source: Yano Research

As shown in the above diagram, sales of pachinko machines have been relatively stable as hall operators believe that frequent change of new machines is one of the key factors in retaining and attracting pachinko players. However, because of an over-supply of machines and rising machine costs, pachinko operators have refrained from buying new machines too frequently, resulting in a drop in the sales of pachinko machines in 2010, according to Yano Research.

Sales of pachislot machines, however, have fluctuated over the years. The acute drop in sales in 2008 was attributable to a regulation implemented in 2007 which de-emphasised the gambling features of pachislot games which led to reduced popularity of pachislot games and thus less demand for pachislot machines. Since then, sales of pachislot machines have begun to recover in 2010 as pachislot has been again gaining popularity amongst the young generation of pachislot players.

The following diagram sets forth the average unit price of pachinko machine and pachislot machine for the years indicated:

Average unit price(1) of pachinko and pachislot machines



Source: Yano Research

(1) The average unit price was calculated based on the amount of sales divided by the number of the top selling machines sold for the year indicated.

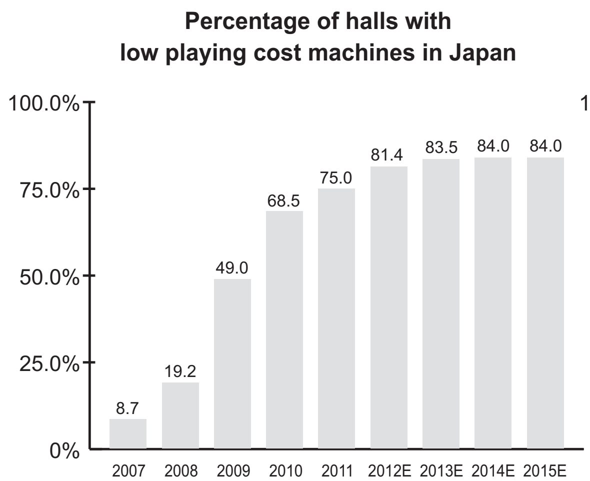
The average unit price of pachinko machines has increased from approximately ¥296,581 in 2006 to ¥385,045 in 2010. The unit price of pachislot machines has been relatively stable.

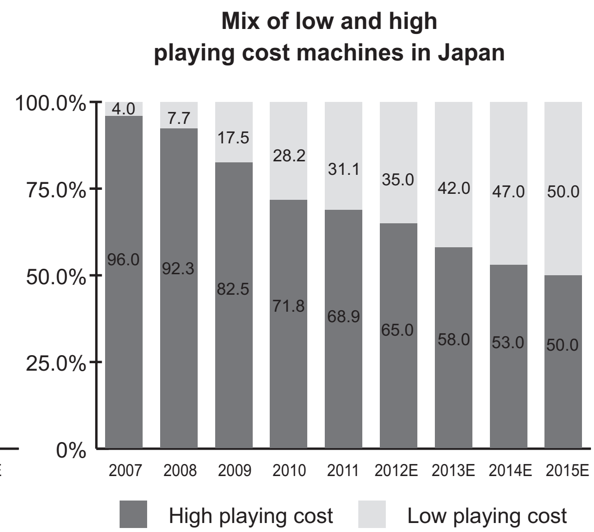
FUTURE TRENDS IN THE PACHINKO INDUSTRY

Lower playing cost pachinko and pachislot games

Since the introduction of low playing cost pachinko machines in 2007, the number of pachinko halls equipped with these low playing cost machines has increased steadily. According to Yano Research, the number of pachinko halls with low playing cost machines increased from 1,049 in 2007 to 7,935 in 2010, representing a CAGR of approximately 96.3%. In addition, approximately 71.3% of the new halls opened in 2010 were equipped with low playing cost machines, with approximately 14.5% of these new halls specialising solely in low playing cost machines. It is expected that the number of halls equipped with low playing cost machines will increase till 2013 and subsequently stabilise, and that the proportion of low playing cost machines will also increase until the market has become saturated, according to EBI.

The following two diagrams set out the percentage of pachinko halls with low playing cost machines and the percentage of low playing machines in the market for the years indicated.





Source: EBI

The low playing cost pachinko machines are considered to be more entertainment-oriented, while the traditional high playing cost 4-yen machines are aimed at players who are playing to win. Low playing cost machines allow pachinko players to enjoy the gaming experience for the same amount of time while spending significantly less compared to that of the high playing cost games. We believe that the broader customer base that the low playing cost machines attract, such as players of the retirement age group and players new to pachinko, will offset the lower revenues generated by these low playing cost pachinko and pachislot games. Furthermore, as players of the low playing cost games play for entertainment value instead of for winnings, the pachinko operator can generally offer a slightly lower payout ratio on the low playing cost machines than for the traditional high playing cost machines.

Well-recognised corporate franchise and effective internal controls

Not only is a well-recognised corporate franchise important to the hall operator, but it is also a major factor the player considers when choosing which hall to visit. We believe pachinko players tend to have more confidence in pachinko halls managed by a well-recognised corporate organisation. To establish a well-recognised corporate franchise, a pachinko operator must not only invest in advertising and marketing, but also maintain an effective internal control system over its operation. This development will no doubt favour sizable nationwide operators, as they would have the financial resources and manpower to handle such tasks.

Non-smoking halls with lower noise levels

In recent years, the Japanese government has implemented measures to heighten awareness of the health risks associated with smoking, including prohibiting smoking in public other than in designated areas. The country's first anti-smoking ordinance was implemented in April 2010 in Kanagawa Prefecture, prohibiting smoking in public facilities and requiring large restaurants and hotels to either prohibit smoking or create separate smoking areas. There is also a growing awareness of second-hand smoke as several cities and prefectures throughout Japan have also proposed and enacted regulations against "passive exposure" to cigarette smoke. We believe that the industry will develop such that non-smoking halls will gain popularity gradually, leading to an increasing percentage of non-smoking pachinko halls in Japan. Also, by introducing non-smoking halls with lower noise levels, pachinko hall operators hope to draw in new players who have not previously visited pachinko halls because of the smoking and noise levels.

SOURCES OF INFORMATION

Yano Research

We commissioned Yano Research, an Independent Third Party, to prepare a report on Japan's pachinko market in December 2011, which is cited in this Prospectus. The total fee we paid for the report prepared by Yano Research was ¥1.08 million. Yano Research is a private marketing research company in Japan founded in 1958 that provides marketing intelligence and consulting services. Yano Research regularly publishes industry reports on the pachinko industry. In preparing these reports, including this commissioned report, Yano Research collects and reviews publicly available data such as government-derived information, annual reports and industry association statistics. Yano Research has advised us that it has exercised due care in collecting and reviewing the information collected and believes that the basic assumptions contained therein are factual and correct, and that the interpretations are reasonable. Yano Research has advised us that it has independently analysed the information collected, but that the accuracy of the conclusions of its review largely depends upon the accuracy of the information collected.

EBI

To further understand the Japanese pachinko market, in addition to Yano Research, we commissioned EBI, an Independent Third Party, to prepare a report in January 2012, which is cited in this Prospectus. The total fee we paid for the report prepared by EBI was ¥1 million. EBI is a private market research company in Japan founded in 1992 that provides market intelligence and consulting services specialising in the gaming industry. EBI performs research and publishes annual reports as well as other learning materials on the pachinko industry. In preparing these reports, including this commissioned report, EBI collects and reviews publicly available data such as government-derived information, annual reports and industry association statistics. EBI has advised us that it has exercised due care in collecting and reviewing the information collected and believes that the basic assumptions contained therein are factual and correct, and that the interpretations are reasonable. EBI has advised us that it has independently analysed the information collected, but that the accuracy of the conclusions of its review largely depends upon the accuracy of the information collected.

Non-commissioned sources

We have also cited the following non-commissioned, Independent Third Party sources in this Prospectus:

- the International Monetary Fund (IMF), an organisation of 187 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world;

- the Japan Statistics Bureau, which plays a central role in the official statistical system in producing and disseminating basic official statistics, and coordinating statistical work under the Statistics Act and other legislation;

- the Japan Productivity Centre, a non-profit organisation and non-governmental organisation established in 1955 to promote the Productivity Movement in Japan under its Three Guiding Principles; and

- the National Police Agency, an agency administered by the National Public Safety Commission of the Cabinet Office in the cabinet of Japan which is also the central coordinating agency of the Japanese police system.