
INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

We employ internal controls and procedures designed to help ensure that our pachinko operations are conducted in a professional manner and in compliance with the Amusement Business Law, as enforced by the National Public Safety Commission, and any applicable laws and regulations in Japan. Our internal control measures enable us to detect irregularities and unusual activity or trends in the transactions that take place in our pachinko halls which, if detected, are reported to our senior management for investigation and remediation. In addition, our hall staff are trained to detect irregular customer activities, particularly those involving large amounts of cash. Because (1) pachinko ball and pachislot token dispensers are only able to release a maximum of approximately 750 pachinko balls or 600 pachislot tokens per minute due to inherent mechanical limitations, (2) the value of balls shot into the playing field is limited by regulations to ¥400 per minute, and (3) payout ratios are also limited by regulations, money-laundering is difficult to carry out through pachinko operations. Furthermore, like all pachinko operators in Japan, we are subject to on-site oversight by the Prefectural Public Safety Commission. See “Laws and Regulations” for more information regarding the regulations to which we are subject.

INTERNAL CONTROLS RELATING TO PACHINKO OPERATIONS

Our Internal Control Framework

Our pachinko operations are subject to risk of loss resulting from employee or patron dishonesty. Minimising these risks requires the development of procedures that can control the authorisation, accountability and safekeeping of pachinko balls, cash and pachinko-related equipment, such as pachinko machines and IC card machines. We have implemented a system designed to detect cheating and other manipulation, which includes a surveillance system and an internal audit team of 44 employees who are responsible for hall and department operational audits, as described below. Prevention and investigation of fraud and cheating in our pachinko halls are primarily carried out by our hall operations staff with the cooperation of our internal audit team. To ensure integrity of operations and compliance with operational policies and procedures, our internal audit team operates independently from all other operational departments, and none of the audit team members are, in the absence of special circumstances, allowed to audit departments which they previously held responsibilities in.

Fraud Prevention and Detection Measures

We also employ measures in our pachinko operations to prevent and detect potential fraud, cheating or counterfeiting activities. These methods include the use of note machines and IC card machines, provided by Mars, in each pachinko hall which detect and reject any counterfeit bank notes inserted. Each of our pachinko balls and pachislot tokens feature a “*DYNAM*” stamp embedded by the manufacturer. Access to the operations centre of each pachinko hall is safeguarded with the use of physical access controls, such as digital combination locks. To ensure that no balls or tokens are brought into or taken out of our pachinko halls, the entrances of our pachinko halls are monitored by hall staff. Our hall staff also ensure that pachinko balls and pachislot tokens are not carried across islands with different cost machines.

Hall Management System

Our Hall Management System, provided by Mars, captures data regarding the number of pachinko balls and pachislot tokens played and paid out at each machine. At the end of each day, if the balance of the unused balls or tokens and the balls and tokens collected by customers do not reconcile with the number redeemed, management will carry out an investigation on any discrepancies which involve more than a certain number of balls or tokens, which may vary depending on the number of machines in the relevant hall.

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Machine Detection Equipment and Anti-Modification Controls

Our pachinko and pachislot machines are all equipped with detectors that trigger our surveillance cameras to zoom in on the relevant machine if the machine is opened. This in turn triggers an alarm in the handheld transceiver carried by hall staff, upon which the nearest staff member investigates the situation. In this way, we are able to detect and prevent any attempts to open the machines and tamper with the pin adjustments or otherwise illegally manipulate the machines. The same controls are implemented with respect to our IC card machines.

Our hall staff are responsible for daily tasks related to machine maintenance, such as cleaning. However, our staff are prohibited from performing any maintenance on a machine that results in a modification of its systems, electronic components, payout ratios, or any other changes affecting machine function. Such adjustments are made by machine manufacturers with the requisite certification from regulatory authorities and subject to regulatory approval after that adjustment or modification is made; however, the hall managers are authorised to check and make daily adjustments to the pachinko machines in order to ensure continued compliance with relevant regulations.

Hall Staff and Internal Audit Team

Our pachinko staff and internal audit team are trained in cheating detection techniques. Our hall staff are required to regularly patrol the hall to monitor our machines and equipment for alerts and errors, customer traffic inside the halls, and certain customer behaviours that may be indicative of fraudulent acts, and to report any perceived irregularities to the hall manager. Our hall managers (Store Managers and Assistant Managers) rotate to different pachinko halls in order to minimise risk of wrongdoing and/or collusion. As at 31 March 2012, our internal audit team was comprised of 44 members. Each of our pachinko halls is subject to inspection at least once every two months. Further, in order to ensure the effectiveness of the internal audits, our audit team rotates responsibilities so that no auditor inspects a particular hall for two consecutive months or no more than three times every six months. These inspections are conducted pursuant to a standard checklist and independent of our hall staff to help ensure that game integrity has not been compromised and to help prevent collusion among staff.

Cooperation with Police

We work closely with officers of the prefectural police agency. If a member of our staff identifies suspicious activity which may constitute a crime, we will report such activity to the local police for further investigation. Our Group halls also cooperate within the area to alert and notify other halls of persons suspected of cheating or engaging in other suspicious or illegal activity. Our pachinko halls exchange surveillance photos of such persons to ensure that such persons are not allowed entry into our pachinko halls.

Whistleblowing Hotline

We have set up a “whistleblowing” telephone hotline that enables all of our officers, employees and their relatives to report irregularities or suspected fraud to management. Our whistleblower policy further requires such reporting when any officer or employee becomes aware of any act that would fall within one of the reportable acts specified in our policy. We have engaged an independent lawyer, Mr. Tetsuya Uchida, specifically to act as our “hotline contact” responsible for handling all calls received through this hotline and conducting the appropriate enquiries. Upon receiving a report, Mr. Uchida establishes a special investigation team comprising the general manager of our Legal Department, Mr. Mori, four members of our Internal Audit office, and three members of our Group risk management committee. The special investigation team must then open an investigation and notify the whistleblower of the results of

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the investigation and corrective measures taken or, if the investigation is discontinued, the reason for the discontinuation. A written report must be provided to Mr. Mori, who is responsible for reporting up to the relevant department heads as well as to Mr. Kohei SATO, President of Dynam and designated compliance officer, and to our Board of Directors. Our internal control committee, which meets once per month, is also notified at its monthly meetings of any whistleblowing activity, and our Board of Directors is required to notify the relevant authorities upon their knowledge or suspicion of any money-laundering activities. The identities of any whistleblowers are kept confidential absent specific consent otherwise from the whistleblower, and our policy protects any whistleblowers from retaliatory action by the Company.

Three Party System Compliance

As part of our internal control measures, we operate our pachinko business in accordance with the “Three Party System” developed in the pachinko industry in Japan. Under the Three Party System, we and wholesalers of G-prizes enter into lease agreements, pursuant to which we lease to the wholesaler a parcel of land adjacent to the pachinko hall, and purchase agreements, pursuant to which the wholesaler supplies G-prizes to our pachinko halls. Wholesalers and prize buyers agree among themselves for the prize buyer to establish a presence on the property leased by the wholesaler from us, at which property customers may sell their G-prizes for cash. However, in accordance with the requirements of Japanese law and regulations, there is no relationship or connection between personnel, equity holding or other capital relationship or connection or other contract or other agreement between our pachinko halls and prize buyers or wholesalers that gives us or our prize buyers and wholesalers the ability to control the other, whether directly or indirectly. For a further description of the Three Party System, see “Business — Pachinko Operations — Three Party System” and “Laws and Regulations”.

INTERNAL CONTROLS RELATING TO CASH AND G-PRIZES

Cash and G-prize Handling Measures

We employ stringent internal control measures with respect to the handling of cash and G-prizes at our pachinko halls. Such measures include the following:

- the appointment of a G-prize wholesaler is required to be approved by senior management at our headquarters after background checks are performed. See “Business — Pachinko Operations — Three Party System” for more information on wholesalers and related background checks. We enter into a master agreement with standardised terms and conditions with each of the approved G-prize wholesalers after performing background checks. Our headquarters management staff assigns one approved wholesaler to each of the pachinko halls for G-prize procurement;
- all handling of significant amounts of cash and G-prizes is required to be done by either a Store Manager or an Assistant Manager, and must be done either (i) in the presence of a designated observer or (ii) in a locked room while the activity is recorded by our closed-circuit television surveillance cameras. Handling of cash and G-prizes in the pachinko hall public area is done by hall staff and must be done either (i) after the close of business or (ii) in the presence of an observer;
- all significant amounts of cash for daily use and G-prizes are stored in safe(s) located inside a separate locked “Treasury Room” in the pachinko hall’s operations centre. Each safe is locked with a key and combination lock, and access to the Treasury Room is restricted to Store Managers and Assistant Managers;

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- a member of the pachinko hall's managerial staff conducts an inventory check of the cash and G-prizes in the safe after the close of business each day, regardless of whether the safe has been accessed during the day, and cross-checks the total against a daily record that is updated each time there is any movement of cash or G-prizes;
- based on the inventory record, a member of the pachinko hall's managerial staff determines the quantity of G-prizes to be purchased in order to replenish the G-prize inventory to an appropriate level within the limit set by the our headquarters on a daily basis. Purchase orders for G-prizes must be approved by the Store Manager or Assistant Manager;
- delivery of G-prizes is required to be taken in the presence of a member of the pachinko hall's managerial staff and a designated observer. A member of the pachinko hall's managerial staff checks the quantity of G-prizes delivered against the purchase order and updates the inventory records and the Prize Management System, to which our headquarters has real-time access. The payment for such deliveries must similarly be handled by these two persons inside the Treasury Room, which is monitored by closed-circuit television surveillance cameras;
- the staff member and the Assistant Manager carry out the physical cash count and must sign off each individual line item on the "Daily Cash Movement & Safe Balance Table", which is then subject to the Store Manager's ultimate approval at the close of each business day;
- the Store Manager provides a daily reconciliation report on the movements in cash and G-prizes to our headquarters for review; and
- our headquarters performs a daily review of the reconciliation reports prepared by each hall and checks the cash movements in the reports against the daily statements provided by the security transportation company.

Cash Management and Collection Guidelines

We have established written guidelines on the maximum amount of cash to be kept at each hall for daily operations. The maximum amounts range from ¥15 million to ¥60 million depending on the size and type of hall. We also contract with a third party security transportation company, Nippon Express (commonly known as "Nittsu"), with respect to cash in excess of the amount necessary for daily operations according to management discretion subject to the maximum limit. Such excess cash is deposited into a secure safe that is located at each of our pachinko halls, which is only accessible for collection by Nittsu. Upon deposit into the safe, a deposit slip is automatically generated, and risk of loss transfers to Nittsu. Nittsu collects the cash from the safe the following business day and transports it to the bank for deposit into our account. We reconcile the actual amounts collected by Nittsu and check it against the amount credited to our bank accounts. We also reconcile the daily sales reports generated from the Mars system's data on collections from pachinko balls, pachislot tokens and pre-paid IC cards to verify the accuracy of the cash balance.

Financial Statement Reconciliation

DYNAM Data is responsible for accounts preparation and our Finance Department reconciles our cash balances with various records. The records of cash deposits to our bank accounts are checked through internet banking on a daily basis and reconciled to our bank-in records. The monthly cash deposits are also reconciled against the daily sales reports

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generated by our Sales Management System and data collected by Mars from the machines through our Hall Management System. The accounting entries which record cash bank-ins are subject to approval from designated personnel from DYNAM Data and our Finance Department.

Prize Management System

Our Prize Management System, provided by Mars, keeps up-to-date inventories of our various prizes, including our G-prizes, through our POS system. This enables our Prize Management System to keep up-to-date and accurate inventories, including tracking transactions in which customers exchange pachinko balls or pachislot tokens for prizes. This information is transmitted every 15 minutes from our hall computers to our Prize Management System. In addition, a daily report is issued and reviewed by our headquarters to identify abnormal cash flows or volumes of G-prizes being exchanged at pachinko halls. This system allows us to quickly detect irregularities such as sudden increases in the volume of G-prizes being exchanged, an unusual amount of balls or tokens that are exchanged for prizes without being played, or if spending per pachinko ball exceeds certain benchmarks.

INTERNAL CONTROLS RELATING TO INFORMATION TECHNOLOGY AND COMPUTER SYSTEMS

Our IT department supports several systems which are accessible by authorised employees in order to keep our pachinko operations running smoothly. In order to secure and control our IT systems, we have implemented certain measures, such as:

- access rights to the various systems are assigned to employees based on their designated roles and responsibilities;
- our major systems, including our Machine Management System, Sales Management System and SuperStream-CORE System are password-protected;
- our network is protected by a firewall and anti-virus software, and access is restricted to Dynam employees only; and
- our computing facilities in Ginza, Tokyo, which are provided and managed by a third party service provider, are accessible only by authorised personnel.

To protect our information, we have a comprehensive backup plan in place for critical systems and data. Full backups are performed nightly. In addition, we have established a formal disaster recovery plan in the event that future disasters occur, which includes off-site backup of data. Please refer to the sub-section headed “— Overall Internal Control Compliance” for further information.

INTERNAL CONTROLS ON MONEY LAUNDERING

Because there are strict regulations and mechanical limitations with respect to the number of pachinko balls or pachislot tokens that can be played as well as released by machines, we believe that money laundering is generally not a concern in the pachinko industry. Furthermore, there are currently no anti-money laundering laws or regulations in Japan that are applicable to the pachinko industry. However, we have, in accordance with what we believe to be best practice, put in place various measures and policies designed to detect and prevent money laundering activities in our pachinko operations.

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As part of our AML measures, we have developed an anti-money laundering manual, or AML manual. Our AML manual sets forth:

- the scope of its application, including the laws in Japan and Hong Kong that are relevant to our operations;
- the roles and responsibilities of our Board of Directors, Audit Committee and senior management with respect to the implementation of our AML measures; and
- the framework for our compliance with our AML measures, including our Group risk management committee, our internal audit function and our operational controls, including checklists to follow for pachinko hall staff.

Our AML Framework

Our Board of Directors, Audit Committee and Senior Management

Our Board of Directors is responsible for, among others, overseeing the overall management of compliance risks, including the review and approval of AML measures as well as remediation of any issues that arise. Our Audit Committee ensures the implementation, effectiveness and compliance with relevant laws and regulations of our various AML measures. Our Audit Committee also reviews any internal control issues highlighted by auditors and regulatory authorities, and reports the audit findings to the Board of Directors on a regular basis to highlight any deficiencies in our AML measures and internal control systems. Our senior management develops operational guidelines on AML measures and evaluates the measures for effectiveness on a regular basis.

Our Group risk management committee and Internal Audit Function

Our Group risk management committee is composed of three members, and is headed by Mr. Mori. Mr. Mori also heads a five-member internal control committee. See “Directors and Senior Management — Board Committees — Management strategy meeting”. For information on Mr. Mori’s background, see “Directors and Senior Management — Senior Management — Mr. Haruhiko MORI”. The Group risk management committee is responsible for assessing and evaluating the types of risks faced by us in our operations, including money laundering risks and risks associated with compliance with the Three Party System. The Group risk management committee reviews these risks and the results of our internal audit activities and submits its reports to the Audit Committee once a month. Our internal audit departments report to our Audit Committee on a monthly basis and also to top management (the CEO of our Group and the President of Dynam) so as to ensure that there is more than one channel for reporting any issues that arise related to risks in our operations. As at 31 March 2012, our internal audit function comprised: (1) our Internal Audit office of the Company, comprising four staff, and (2) the Audit Department of Dynam, comprising 40 staff. Our Internal Audit office of the Company and the Audit Department of Dynam carry out the same functions. The Internal Audit office is responsible for the internal audit of those pachinko halls operated by Cabin Plaza, Daikokuten and Okuwa Japan and the Audit Department of Dynam is responsible for the internal audit of those pachinko halls operated by Dynam. As a whole, our internal audit function is required to: (1) conduct periodic independent reviews of our compliance framework and the effectiveness of our AML measures; (2) check and test our compliance with our AML measures; and (3) report any findings to our Audit Committee. Our internal audit function is also responsible for ensuring that our AML measures are in compliance with any developments or changes in AML regulations. For more information on the duties and responsibilities of our Audit Committee,

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Group internal control committee and Group risk management committee, see “Directors and Senior Management — Board Committees — Audit Committee” and “Directors and Senior Management — Board Committees — Sub-committees”.

Our Operational Controls

In addition to our internal audit activities, we also have in place procedures to monitor and analyse cash flows, which enable us to detect and address any unusual fluctuations in connection with G-prize purchases, cash movement within our pachinko halls, and hall revenue.

In addition to the above procedures, our AML policies require:

- regular assessment of the risks of money laundering in our operations and indicators of suspicious activity;
- a system of procedures and controls designed to detect and report suspicious activities in our operations to our headquarters and relevant authorities;
- annual background checks on all of our business counterparties, which includes a check, with supporting documentation, on their representatives, officers, executive officers and shareholders, to identify and avoid any connections to anti-social forces;
- us to engage a corporate data research agency for any potential wholesaler with whom we intend to conduct transactions exceeding ¥1 million per year;
- wholesalers to deliver written declarations stating that they are independent from the prize buyers with whom they conduct business, and that their shareholders and directors and the prize buyers with whom they conduct business do not have any connections with anti-social forces;
- background checks, including with respect to criminal records, employment history and financial information, on our senior management and potential new management members, to, among other things, identify and avoid any connections to anti-social forces and ensure high standards of integrity;
- our internal audit team to visit and inspect each pachinko hall at least once every two months;
- Store Managers and Assistant Managers to rotate among different pachinko halls to prevent collusion among hall staff;
- use of surveillance cameras to record play or attempted tampering of pachinko and pachislot machines at the pachinko halls;
- regular training and awareness programs to keep staff apprised of and updated on our AML policies, procedures and controls and job-specific information on indicators of suspicious activity;
- continuous monitoring of our various IT systems, including our Prize Management System, Management Information System and our Hall Computers, as well as analysis of various financial and operating data, to monitor and detect unusual fluctuations that may indicate suspicious activity; and

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- recording of customer identification information, and notification to our headquarters, in connection with all transactions in which pachinko balls or pachislot tokens totalling ¥500,000 or more are exchanged for prizes (per transaction).

In addition to the framework of our AML measures and our IT systems, our employees are critical to the success of our AML measures. In conjunction with the measures discussed above, our pachinko hall staff are trained to detect unusual activity at our pachinko halls, such as players exchanging balls or tokens into G-prizes without playing the machines. Managers at the pachinko halls are also required to conduct checks of sales per machine and other operational data every three hours during operating hours in order to discover any use of balls or tokens for purposes other than play at the machines. In addition, at the end of each day, each pachinko hall is required to tally the number of pachinko balls or tokens rented, played, collected by customers, and exchanged into prizes. This tally also aids in detection of balls that were exchanged into prizes without being played. Upon discovery of these activities or any other money laundering activities, our staff will refuse to exchange prizes and refund the customer's money. Staff will also prepare incident reports to our headquarters, and will place pictures of "blacklisted" customers on bulletin boards at the pachinko halls. These incident reports are also submitted to the Group risk management committee and are reviewed by our Audit Committee on a monthly basis. Depending on the circumstances, our headquarters may also report incidents to police or other relevant authorities.

Further, inherent mechanical limitations of pachinko, most of which are required under Japanese law and regulations, make money laundering in pachinko difficult. These limitations include:

- performance limitations, under which pachinko ball and pachislot token dispensers are only able to release a maximum of approximately 750 pachinko balls or 600 pachislot tokens per minute;
- the value of balls shot into the playing field is limited by regulations to ¥400 per minute, or ¥240,000 over a ten-hour period;
- payout ratios are limited by regulations; and
- specifications of the pachinko machines as regulated by the National Public Safety Commission, which limit the possible wins or losses from a pachinko machine over a ten-hour period, so that the machine does not release more than twice, or keep more than half, the number of pachinko balls played in a ten-hour period (because player pay-ins are limited to ¥240,000 over a ten-hour period, the maximum value of pachinko balls which can be collected by a pachinko player over a ten-hour period is ¥480,000).

As a result of these mechanical limitations, a lengthy period of time would be required to convert sizable sums of money into balls or tokens, and unusual activity in connection with play or failure to play will be observed and reported by our staff. For a further description of Japanese law and regulations relating to pachinko machines and pachinko operations, see "Laws and Regulations".

PACHINKO TRUSTY BOARD

We are one of the founding members of the Pachinko Trusty Board ("PTB"), an organisation comprised of pachinko operators as well as third party professionals, such as lawyers, accountants and experts in business and corporate governance. PTB's Monitor Committee of third party professional members investigates and evaluates corporate

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governance and compliance of pachinko hall operators and provides suggested standards regarding management and operation of pachinko halls. We hope that our involvement with the PTB will raise corporate governance standards and industry standards for the operation of pachinko halls in order to bolster a positive image of pachinko in the community.

Through the work of its various committees of third party professionals and experts, the PTB has developed a set of Pachinko Hall Accounting Standards which is based on generally accepted corporate accounting practices in Japan while taking into consideration the environment and characteristics of pachinko operations. These standards propose methods for the treatment of pachinko ball deposits and pre-paid IC cards, costs of pachinko operations, recording of sales and other items unique to accounting in pachinko operations. PTB also has a set of evaluation standards covering governance, internal controls, legal compliance, labour and employee and internal audit issues. PTB rates its member companies based on these evaluation standards and gives letter ratings which may be published upon request in order to encourage and improve transparency across the industry. Our own internal controls measures take into account concerns raised in the findings and suggested standards of the PTB's Monitor Committee.

OVERALL INTERNAL CONTROL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no counterfeit or altered currency, pachinko balls or pachislot tokens have been detected. During the Track Record Period and up to the Latest Practicable Date, no instances of material fraudulent activity were detected or reported to the prefectural police. However, minor 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, such as 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. In the event any failure is identified, we will seek to identify where the system failed, promptly rectify such failing and write off any losses resulting from such failing.

In 2005, we were found to have offered at one of our halls in Sapporo City, Hokkaido some counterfeit luxury goods. Upon our own internal investigation, we discovered that we had on stock over 7,000 counterfeit luxury goods being offered as general prizes. The items were all purchased from one of our general prize suppliers, and we did not know that the items were counterfeit at the time we purchased them. We accepted customer returns of the counterfeit items and exchanged them for other prizes. No litigation arose from this incident whether from customer claims or claims by the brand owners. We were ordered by the Public Safety Commission of Hokkaido to suspend operations at our Sapporo City hall for ten days in February 2006 for violation of the Amusement Business Law. We also discontinued our business relationship with that supplier, and removed all luxury goods that had been purchased from that supplier from all of our pachinko halls. We no longer offer luxury goods as general prizes in our pachinko halls. We have put in place purchase management regulations to oversee our prize purchases. Our purchasing department selects prizes and vendors after conducting appropriate background checks. Orders and deliveries are checked by different employees and our internal audit departments ensure the purchase management regulations are followed throughout this process. For information on background checks, see "Business — Pachinko Operations — Three Party System — Risk management".

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On 18 August 2011, we engaged RSM Nelson Wheeler Consulting Limited (“RSM Consulting”), an independent third party, as our internal control consultants to conduct a review of the management and accounting procedures and internal control environment of the Group, including our anti-money laundering policies and procedures. Incorporated in 1986, RSM Consulting is a firm of professional consultants that mainly engages in providing consulting and advisory services to listed companies and companies preparing for a listing in Hong Kong. RSM Consulting provides services in the areas of corporate governance, risk management and internal controls, and regulatory compliance review, which include anti-money laundering systems and controls. The key members of the engagement team from RSM Consulting possess the relevant experience and professional qualifications for the services rendered to their clients. Professional qualifications include Certified Public Accountants (CPA), Certified Internal Auditors (CIA) and Certified Information Systems Auditors (CISA). RSM Consulting and RSM Nelson Wheeler, our Reporting Accountants, are both members of RSM International, a global network of independent accounting and consulting firms. In providing professional services to us for the purpose of this initial public offering, the two firms work independently with two separate engagement teams and in the roles of internal control consultants and reporting accountants, respectively. RSM Consulting has highlighted in its report dated 28 December 2011, which covers the period from 1 January to 26 December 2011, certain significant and non-significant deficiencies with respect to our internal controls, systems and procedures. The deficiencies which RSM Consulting considered significant are summarised in the table below. RSM Consulting has conducted a follow-up review of the following deficiencies in March 2012 and has confirmed that the Company has implemented the remedial actions recommended by RSM Consulting.

**Deficiencies highlighted in
RSM Consulting’s report dated
28 December 2011**

The Company uses hard disk drives as its main backup media for data from its information systems. There are currently no copies of backup data stored offsite.

**Recommendations
from RSM Consulting**

Copies of backup data should be stored at offsite locations.

Remedial actions

The Company has established a backup centre effective from January 2012. Data backup is automatically performed by backup software at each day end. The Company is planning to perform real-time mirroring for data backup by end of 2012.

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**Deficiencies highlighted in
RSM Consulting's report dated
28 December 2011**

The Company is still in the process of establishing a formal Disaster Recovery Plan ("DRP") to deal with potential future disasters.

**Recommendations
from RSM Consulting**

An adequate and effective DRP should be established according to the needs of the Company and may include, but not limited to, the following areas:

- Scope of recovery
- Detailed recovery process and procedures
- Designated location
- Hardware arrangement
- Emergency network connections
- Staff assignment (e.g., person in-charge, coordinator, necessary technical support)
- Internal and external communications
- Recovery drill test arrangement

Recovery drill test should be carried out on a periodic basis to ensure that the DRP can operate as planned. It should include tests on network connections, application tests on critical functions, tests on program and data recovery. Proper documentation should be maintained on the recovery drill tests carried out, for example, records on the results of the tests and the recovery time.

Remedial actions

As of March 2012, the Company has established a formal DRP, which covers major areas such as scope of recovery, detailed recovery procedures, designated location, hardware arrangement, staff assignment, recovery drill test arrangement, etc. A full DRP test was performed by the Company in March 2012. The test did not cover recovery of data not included in the backup from previous day-end, but the Company will include such tests once real time backup is established by end of 2012.

The Joint Sponsors have carried out due diligence procedures on the Company's internal control and anti-money laundering measures, including but not limited to reviewing policies, discussing with management, reviewing the deficiencies highlighted in the report prepared by RSM Consulting dated 28 December 2011 as well as corresponding remedial actions taken by the Company, and reviewing the follow-up report prepared by RSM Consulting. Based on these due diligence procedures, the Joint Sponsors are of the view that the Company's internal control and anti-money laundering measures are sufficient and effective. See "Risk Factors — 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", "Risk Factors — 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".