
SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus, which should be read in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment, including those set out in "Risk Factors" starting on page 35. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We operate pachinko halls in Japan where customers can play pachinko and pachislot, which are recreational arcade games characterised by an element of chance. We were the fourth largest pachinko hall operator in Japan in 2013 (based on gross pay-ins), according to EBI. The pachinko industry is highly fragmented, with over 3,800 operators running 11,893 halls as at 31 December 2013. In 2013, our market share based on gross pay-ins was 1.3%, while our market share based on the number of halls in Japan was 0.5%. Ever since we opened our first pachinko hall in 1950, all our operations have been focused in Northeast Honshu (本州島東北), Japan, covering ten prefectures that have a total population of approximately 47.4 million (representing approximately 37.7% of the total population in Japan), as at 31 December 2013, according to EBI.

Fukushima Prefecture (福島県) is our most important strategic location, in which our headquarters are located and we have the most number of our halls (namely, 20 halls as at the Latest Practicable Date), machines and also revenue generation, accounting for over 40% of our total revenue during the Track Record Period. We will continue to leverage our strengths and expand our operations in Northeast Honshu (本州島東北) (especially Fukushima Prefecture (福島県) and its neighbouring and conjoining prefectures) in a cost-efficient and strategic manner. In particular, we expect to open a new hall in Fukushima Prefecture (福島県) by December 2015 with over 1,000 machines, which will become our largest hall and is expected to become one of the largest halls in Fukushima Prefecture (福島県).

Our corporate slogan is "*Happy Time Creation*" and we place our primary focus on customer experience and goodwill. We have strived to adapt to changing industry trends and customer preferences throughout our operating history and have developed into an operator of 55 pachinko halls, as at the Latest Practicable Date.

Our Japan Legal Adviser has confirmed that our pachinko and pachislot hall operations do not constitute "gambling" under, and do not violate, relevant Japan law.

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OUR PACHINKO AND PACHISLOT BUSINESS

Pachinko and Pachislot Games

Pachinko is one of the most popular forms of entertainment for adults in Japan and has a long history, dating back to the early twentieth century. **Pachinko** is similar in appearance to a pinball machine and involves firing pachinko balls in rapid succession into a playing field, with the aim of firing them into pockets that release bonus pachinko balls. Playing costs range from ¥0.5 to ¥4 per ball (before consumption tax). **Pachislot** is similar in appearance to a traditional slot machine and involves inserting pachislot tokens to spin its image reels, with the aim of stopping the reels at a winning matching combination, which will release bonus pachislot tokens. Playing costs range from ¥2 to ¥20 per token (before consumption tax). During the Track Record Period, pachinko and pachislot accounted for approximately 70% and 30% of the total machines in our halls, respectively. Generally, players aim to collect the most number of balls and tokens, which can either be exchanged for prizes or saved for subsequent visits.

Prizes

At our halls, customers can exchange two types of prizes, namely: (1) **general prizes** (including our private brand products), which include cigarettes, food and snacks, household goods and drinks; and (2) **G-prizes**, which are decorative cards or coin-shaped pendants that can be subsequently sold by customers to independent G-prize buyers for cash.

Pachinko Halls

Our halls can be categorised into suburban halls and urban halls. We had 46 suburban halls and 9 urban halls, as at the Latest Practicable Date. **Suburban halls** are our primary business focus, representing over 90% of our revenue for our pachinko and pachislot business throughout the Track Record Period. They are typically located in suburban areas and require car access. These halls generally have around 400 to 700 machines. Gross pay-ins from peak operation hours (which are typically from 12:00 noon to 5:00 p.m.) on average accounted for approximately 45% of the daily gross pay-ins of our suburban halls during the Track Record Period. **Urban halls** are typically located in urban areas (such as Tokyo (東京都)) and within walking distance of a train station. These halls are generally smaller with around 200 to 300 machines. Gross pay-ins from peak operation hours (which are typically from 5:00 p.m. to 10:00 p.m.) on average accounted for approximately 41% of the daily gross pay-ins of our urban halls during the Track Record Period.

Customers and Suppliers

As a pachinko hall operator, players at our halls are our main customers. Customers of our suburban halls are generally the self-employed (such as farmers and fisherman), factory workers and retirees, while those of our urban halls are generally full-time employees. Our pachinko and pachislot hall operations also receive income from vending machine operators that maintain various vending machines at our halls. Also, we operate a hotel and a restaurant franchise. See “Business — Other Businesses” on page 263.

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Our major suppliers consist of: (1) machine suppliers; (2) G-prize wholesalers; and (3) general prize suppliers. See “Business — Suppliers” on page 238.

Pachinko Industry

The pachinko industry has a dominant presence in the gaming sector in Japan (which, as defined by our industry consultant, EBI, consists of pachinko, bicycle-racing, auto-racing, horse-racing and lottery), having comprised 78.0% or ¥18.8 trillion (in terms of gross pay-ins) of the gaming sector in Japan in 2013. However, the pachinko industry has been shrinking, mainly due to competition from other entertainment industries, such as video games, the internet and other mobile entertainment services. From 2009 to 2013, the industry’s gross pay-ins decreased at a compound rate of 2.8%, while from 2014 to 2018, it is expected to decrease at a compound rate of 1.8%, with gross pay-ins dropping to ¥16.1 trillion in 2018. Nevertheless, the industry still remains relatively favourable to large hall operators (such as ourselves) due to industry consolidation. According to EBI, small hall operators have been dropping out of the industry and are expected to continue to do so, while large hall operators have been benefiting by absorbing the freed up market share. The opportunities for us are compounded by the high industry fragmentation and the fact that there are very few hall operators, whose size of operation is as big as ours. As at 31 December 2013, there were over 3,800 operators, of which 95.8% were small hall operators with less than 10 halls and we were one of only eight hall operators with over 50 halls. In addition, there have been discussions about the introduction of a pachinko tax, which may further hinder the overall financial performance of the pachinko industry, although no legislative process has taken place yet. See “Industry Overview” on page 123.

Regulatory Framework of the Pachinko Industry

The pachinko industry is highly regulated under Japan laws and regulations. In particular, we must not be involved in the exchange of prizes for cash or securities. Therefore, we operate our pachinko and pachislot business (regarding the sale and purchase of G-prizes exchanged by a customer at our halls) in accordance with an established industry practice known as the “Three Party System”. The parties under the Three Party System consist of: (1) **pachinko hall operators** (such as ourselves), who operate halls where customers can obtain G-prizes; (2) **G-prize buyers**, who are typically companies or sole proprietorships and purchase G-prizes from customers for cash and also sell G-prizes to G-prize wholesalers; and (3) **G-prize wholesalers**, who are typically companies and purchase G-prizes from G-prize buyers and also sell G-prizes to pachinko hall operators (such as ourselves). Our five largest G-prize wholesalers (out of our total of 12 G-prize wholesalers) have, on average, been established in Japan for over 40 years (whose primary business includes the supply of G-prizes to pachinko hall operators, and for some, further includes the supply of beverages, food and household goods to various companies) and accounted for around 90% of our total purchases of G-prizes during the Track Record Period. Our single largest G-prize wholesaler accounted for 72.8%, 72.1%, 70.4% and 70.2% of our total purchases of G-prizes for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Under the Three Party System, pachinko hall operators must be independent of each of the: (1) G-prize wholesalers engaged by them; and (2) G-prize buyers engaged by such G-prize wholesalers. We are also regulated under Japan laws and regulations with respect to various other matters, including our halls and game machines

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(such as payout ratios, value of pachinko balls or pachislot tokens that may be put into play per minute, total number of balls or tokens that may be won and maintenance and adjustments of our game machines), operating licences and general corporate matters, such as corporate governance, taxation and labour. See “Applicable Laws and Regulations” on page 139.

Our Internal Control and Anti-Money Laundering Procedures, Systems and Controls

We have implemented internal controls and procedures to: (1) ensure that our pachinko and pachislot hall operations are in full compliance with applicable laws and regulations; and (2) detect and remediate irregularities and unusual activities or trends in our halls. We believe that money laundering risks associated with our pachinko and pachislot hall operations are inherently low due to stringent laws and regulations and machine limitations. Though there are currently no obligations imposed on us under Japan anti-money laundering laws, we have voluntarily established anti-money laundering policies and procedures. See “Internal Controls and Anti-Money Laundering” on page 267 and “Appendix IV – Summary of the Review of Anti-Money Laundering Procedures, Systems and Controls” on page IV-1 for our AML Consultant’s report.

The Great East Japan Earthquake

In March 2011, the Great East Japan Earthquake struck Japan and caused (among others) the nuclear power plant incident in Fukushima Prefecture (福島県). As a result, we recorded earthquake losses (namely, property damage) of ¥653 million for the year ended 31 March 2011 and had to temporarily suspend the operation of a majority of our halls. We also had to permanently close one hall (as it was our only hall located within the exclusion zone implemented by the Japanese government), for which we obtained compensation from the operator of the affected nuclear plants of ¥590 million. Our Directors are considering the most appropriate method to obtain further compensation for loss of profits. Further, our Directors have confirmed that we have not experienced any casualties or injuries as a result of the Great East Japan Earthquake.

After the Great East Japan Earthquake, there has actually been an overall increase in the working population of Fukushima Prefecture (福島県), which has subsequently improved our player traffic, and revenue has also increased at a CAGR of 6.0% over the three years ended 31 March 2014. In fact, the portion of our total revenue from pachinko and pachislot business taken up by our halls located in Fukushima Prefecture (福島県) increased gradually over the Track Record Period, having represented 40.1%, 40.7%, 40.5% and 42.7% of our total revenue from the pachinko and pachislot business of all our halls for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Further, operating profit attributable to our halls located in Fukushima Prefecture (福島県) also increased over the Track Record Period, having represented 51.1%, 54.6%, 55.9% and 59.7% of our total operating profit for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Ultimately, as a result of the Great East Japan Earthquake, our revenue was not negatively impacted (and actually improved compared to the financial year preceding the earthquake), while our operating profit was negatively impacted only for the year ended 31 March

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2011 (being the year of the earthquake), after which it had already rebounded to levels exceeding that of the financial year preceding the earthquake. See “Business — Pachinko and Pachislot Hall Operations — Fukushima Prefecture (福島県) and the Great East Japan Earthquake” on page 209.

OUR STRENGTHS

We believe that we have the following key strengths:

- Strong market position (especially in Fukushima Prefecture (福島県)), largely due to economies of scale and brand recognition gained from our strategic geographical focus in Northeast Honshu (本州島東北) and our centralised management strategy
- Efficient management structure supported by sophisticated information technology systems that enable us to anticipate and respond quickly to changes and trends in customer preferences
- Effective internal controls and procedures to ensure our compliance with applicable laws and regulations and to detect and prevent fraud, cheating and money laundering activities
- Experienced and well-qualified management team with a strong track record in operating pachinko halls

OUR STRATEGIES

We aim to strengthen our market position by pursuing the following strategies:

- Continue to leverage our strengths and expand our suburban halls network in Northeast Honshu (本州島東北) (by opening seven new suburban halls over the next three years) and to extend our leading market position
- Improve the performance of our urban halls
- Launch an online general prize redemption system
- Achieve greater cost savings through our centralised management strategy
- Continue to invest in our information technology system

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SHAREHOLDERS' PROTECTION

We are subject to the Japan Companies Act and other applicable Japan laws and regulations. The Hong Kong legal and regulatory regime differs in certain material aspects from that in Japan. Some key differences include:

- (1) **Bearer Shares** - Under Japan law, our Shares are “*bearer shares*” in nature. A bearer, or a physical holder, of a share certificate issued by us is generally recognised as the owner of the Shares represented by it. Ownership of our Shares can be transferred simply by the delivery of our share certificates, regardless of whether the transferor and the transferee has signed any document evidencing such transfer. This creates inherent risks for our Shareholders and potential investors who choose to hold our Shares by physical possession of our share certificates. **To avoid these risks, which are very significant in our Directors’ opinion, you (as potential investors) are strongly recommended to hold your investments in our Company through CCASS.**
- (2) **CCASS** - Due to certain Japan legal and regulatory provisions, **CCASS Beneficial Owners are subject to certain disadvantages** as set out in detail in “Key Japan Legal and Regulatory Matters — A. Bearer Shares — Recommended measures for our Shareholders and potential investors” on page 65. For example, CCASS Beneficial Owners do not have the option to elect the currency of their dividend payments, and they may not inspect our Share Register unless allowed to do so under the Personal Information Protection Act. Despite these disadvantages, given the risks associated with our “*bearer*” Shares (which are very significant in our Directors’ opinion), it is our Board’s strong recommendation that you (as potential investors) should hold your investments in our Company through CCASS.
- (3) **Taxation** - We are required under Japan law to withhold up to 20.420% of taxes on dividend payments. Withholding tax rates may vary according to the circumstances of an investor, and Hong Kong Shareholders (except for CCASS Beneficial Owners) are entitled to a lower tax rate under the Hong Kong-Japan Tax Treaty. If you choose to invest through CCASS, you will be subject to a higher withholding tax rate.
- (4) **Waivers** - Due to certain Japan law provisions, we are unable to strictly comply with certain requirements under the Listing Rules, such as: (i) requiring our Controlling Shareholders or other Shareholders having an interest in a transaction to abstain from voting in a general meeting; and (ii) issuing a supplemental circular for persons nominated as Directors. We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with these Listing Rules requirements.

Certain Japan legal and regulatory provisions may significantly affect your rights and obligations as a Shareholder. See “Key Japan Legal and Regulatory Matters” on page 63, “Waivers” on page 106, “Risk Factors — Risks Relating to Key Japan Legal and Regulatory Matters” on page 36 and “Appendix V — Summary of our Articles of Incorporation and Japan Corporation Law” on page V-1.

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RISK FACTORS

Our business is subject to a number of risks, including risks relating to our business, the pachinko industry, Japan and the Global Offering. You should read the entire “Risk Factors” section starting on page 35 carefully. These risks include:

- Our business depends significantly on the services provided by our G-prize wholesalers and their G-prize buyers
- We may be adversely affected by any breach of the independence requirements under the Three Party System
- We experienced decreased gross pay-ins for the six months ended 30 September 2014 compared to the corresponding period of the previous year, and we cannot guarantee that our results will improve
- Our financial results for the year ending 31 March 2015 are expected to be affected by certain one-off expenses
- Our business may be adversely affected by natural disasters, such as earthquakes like the Great East Japan Earthquake, or disease outbreaks
- We face the risk of fraud or cheating
- We rely heavily on our information technology systems, which could be subject to unexpected interruption or security breaches
- Our business may be affected by downturns in the economy (such as the recent recession of the Japanese economy), economic uncertainty and other factors affecting discretionary consumer spending
- Our pachinko halls may not perform as expected and our strategy of expanding our suburban hall network may not be successful
- 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
- We face intense competition in Japan from other pachinko hall operators (due to high industry fragmentation) and also other entertainment businesses
- There are legal uncertainties with respect to the operation of our business under the Three Party System
- Appraised values of our selected properties in Japan may be different from their actual realisable values and are subject to variation

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KEY OPERATING AND FINANCIAL METRICS

The table below shows the key financial metrics of our business during the Track Record Period:

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
(¥, in millions, unless otherwise specified)					
Revenue from pachinko and pachislot business					
Gross pay-ins ⁽¹⁾	224,968	242,217	236,449	120,674	90,989
Less: gross payouts ⁽²⁾	(195,340)	(210,298)	(203,455)	(104,682)	(75,798)
	29,628	31,919	32,994	15,992	15,191
Vending machine income	724	748	704	362	301
Revenue from pachinko and pachislot hall operations					
	30,352	32,667	33,698	16,354	15,492
Hotel operations	—	84	149	75	80
Total revenue	30,352	32,751	33,847	16,429	15,572
Revenue margin (%)⁽³⁾	13.2	13.2	14.0	13.3	16.7
G-prize mark-up (%)⁽⁴⁾	Nil	Nil	Nil	Nil	4-20
Machine utilisation (%)⁽⁵⁾					
Overall for pachinko	37.3	34.9	32.2	34.5	27.5
Overall for pachislot	31.0	29.3	28.4	29.2	22.8
Average number of machines per hall					
<i>Suburban</i>					
High playing cost	359	361	373	353	358
Low playing cost	160	168	161	181	181
Total	519	529	534	534	539
<i>Urban</i>					
High playing cost	176	170	165	165	165
Low playing cost	84	94	99	99	99
Total	260	264	264	264	264

(1) Represents the amount received from customers for rented pachinko balls and pachislot tokens.

(2) Represents the aggregate cost of G-prizes and general prizes exchanged by customers.

(3) Represents gross pay-ins less gross payouts, divided by gross pay-ins. It is an indicator of the portion of our gross pay-ins that we receive as revenue, namely through customers playing our machines and our mark-ups on prize redemption.

(4) Represents the difference between the value of the number of balls or tokens required to collect a G-prize and the cost of the G-prize.

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- (5) Represents the average number of balls or tokens played per day, divided by the maximum number of balls or tokens allowed to be played under the machine settings per day. The maximum number of balls or tokens allowed to be played under the machine settings per day is defined as the maximum number of balls or tokens allowed to be played under the machine settings per hour (i.e. 6,000 balls or 2,634 tokens) multiplied by the number of operating hours per day (i.e. 13.5 hours).

For the three years ended 31 March 2014, our key operating and financial metrics were generally stable.

For the six months ended 30 September 2014, consumption tax in Japan was increased from 5% to 8% with effect from 1 April 2014. Significantly, this would have reduced our revenue margin by 3% and also our revenue as we had to bear such tax increase on our gross pay-ins. To counter this, we imposed G-prize mark-ups for all of our halls ranging from 4% to 20% (with an average of around 10%) effective from the same date, (which in our Directors' view based on market observations, for our halls in Fukushima Prefecture (福島県), were generally similar to that imposed by our major competitors). Ultimately, our revenue margin increased and our revenue merely dropped by 5.2% against a 24.6% decrease in our gross pay-ins (compared to the corresponding period of the previous year). Such drop in gross pay-ins was mainly caused by a reduction in household disposable income (due to the tax increase) as well as player sensitivity to G-prize mark-ups. In December 2014, we cancelled the G-prize mark-ups for 17 of our halls (all located in the Kantō Region (関東地方)) as some competing halls nearby did not adopt such mark-ups. The gross pay-ins and revenue attributable to these 17 halls accounted for around 35% of our total gross pay-ins and our revenue from pachinko and pachislot business, during the Track Record Period, respectively. We expect such cancellation will improve the player traffic (and consequently gross pay-ins) of such halls by attracting players who are relatively sensitive to G-prize mark-ups. Going forward, we will continue to monitor and adjust our G-prize mark-ups (with an objective of maximising our revenue), taking into account all relevant factors, such as player sensitivity to mark-ups and competitors' behaviour. See "Financial Information — Results of Operations of Our Group — Description of Components of Results of Operations — Gross payouts" on page 299.

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KEY HISTORICAL FINANCIAL INFORMATION

Key Consolidated Statements of Comprehensive Income

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	(¥, in millions)				
	(unaudited)				
Revenue from pachinko and pachislot business					
Gross pay-ins	224,968	242,217	236,449	120,674	90,989
Less: gross payouts	(195,340)	(210,298)	(203,455)	(104,682)	(75,798)
	29,628	31,919	32,994	15,992	15,191
Vending machine income	724	748	704	362	301
Revenue from pachinko and pachislot hall operations	30,352	32,667	33,698	16,354	15,492
Hotel operations	—	84	149	75	80
Total revenue	30,352	32,751	33,847	16,429	15,572
Hall operating expenses (<i>Note</i>)	(20,609)	(21,909)	(22,798)	(11,494)	(11,644)
Administrative and other operating expenses	(3,319)	(4,126)	(4,636)	(2,013)	(2,808)
Operating profit	7,035	7,142	6,694	3,023	1,896
Profit for the year/period attributable to shareholders of the Company	3,329	3,765	3,698	1,623	937

Note: The majority of our hall operating expenses are pachinko and pachislot machine purchases and also staff costs (including salary, bonus and other provisions), accounting for over 56% of the total hall operating expenses during the Track Record Period. We recognise pachinko and pachislot machines as inventory upon acquisition and expense them in our consolidated statements of comprehensive income upon installation. See “Financial Information — Results of Operations of Our Group — Description of components of Results of Operations — Hall operating expenses” on page 306.

Our profit attributable to shareholders of the Company increased by ¥369 million, or a CAGR of 5.4%, from ¥3,329 million for the year ended 31 March 2012 to ¥3,698 million for the year ended 31 March 2014. This was mainly due to the expansion of our pachinko hall network from 50 halls as at 31 March 2012 to 53 halls as at 31 March 2014. Our profit attributable to shareholders of the Company decreased by ¥686 million, or 42.3%, from ¥1,623 million for the six months ended 30 September 2013 to ¥937 million for the six months ended 30 September 2014. This was largely due to two one-off expenses, namely: (1) listing expenses of ¥226 million; and (2) a retirement payment of ¥600 million made to Mr. Tatsuo TANIGUCHI (谷口龍雄) as special benefit for his retirement as a Director of our Company in June 2014 and a director of Niraku Corporation in September 2014. The rules of our Remuneration Committee provide that our Group shall not make any retirement payments to our Directors after Listing. Without taking into account such one-off expenses, our profit attributable to shareholders of the Company for the six months ended 30 September 2014 would have been stable (compared to the corresponding period of the previous year).

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Key Consolidated Statements of Financial Position

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	(¥, in millions)			
Non-current assets	30,335	32,334	34,936	35,496
Current assets	14,848	9,860	11,969	13,590
Non-current liabilities	10,523	13,605	16,154	15,582
Current liabilities	16,012	10,737	8,951	12,625
Net current (liabilities) assets	(1,164)	(877)	3,018	965
Total equity	<u>18,648</u>	<u>17,852</u>	<u>21,800</u>	<u>20,879</u>

Key Consolidated Statements of Cash Flows

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	(¥, in millions)				
	(unaudited)				
Net cash generated from operating activities	11,464	7,684	6,280	1,924	3,164
Net cash used in investing activities . . .	(695)	(2,902)	(1,390)	(962)	(734)
Net cash (used in)/generated from financing activities	<u>(3,815)</u>	<u>(10,458)</u>	<u>(3,390)</u>	<u>80</u>	<u>(837)</u>
Net increase/(decrease) in cash and cash equivalents	6,954	(5,676)	1,500	1,042	1,593
Cash and cash equivalents at the beginning of the year/period	<u>5,631</u>	<u>12,585</u>	<u>6,909</u>	<u>6,909</u>	<u>8,409</u>
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	<u><u>12,585</u></u>	<u><u>6,909</u></u>	<u><u>8,409</u></u>	<u><u>7,951</u></u>	<u><u>10,002</u></u>

Net cash generated from operating activities declined during the Track Record Period, mainly because cashflow derived from changes in working capital usage decreased in the latter years. Net cash used in investing activities increased substantially during the year ended 31 March 2013 due to our acquisition of Jin Corporation for ¥820 million and our purchases of financial assets of ¥633 million. Net cash (used in)/generated from financing activities increased significantly in the year ended 31 March 2013, mainly due to the ¥4,563 million in cash being distributed to our then shareholders through the repurchase of Niraku Corporation's shares by itself and our purchase of shares in Niraku Corporation. See "Financial Information — Liquidity and Capital Resources — Cash flows" on page 325.

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Key Financial Ratios

	As at 31 March			As at 30 September
	2012	2013	2014	2014
Current ratio	0.93	0.92	1.34	1.08
Quick ratio	0.90	0.91	1.33	1.07
Gearing ratio (%)	101.4	98.7	91.7	100.4
Debt to equity ratio (%)	33.9	60.0	53.2	52.5
Return on total assets (%)	7.4	8.9	7.9	3.8*
Return on equity (%)	17.9	21.1	17.0	9.0*
Interest coverage	9.7	10.9	9.8	7.0

* Profit attributable to shareholders used for the calculation of the return on total assets and return on equity has been annualised based on the actual results for the six months ended 30 September 2014 so as to be comparable with annual data.

See “Financial Information — Selected Key Financial Ratios” on page 359 for detailed calculations and fluctuation analyses.

LISTING EXPENSES

The estimated total listing expenses (assuming an Offer Price of HK\$1.19 per Offer Share, being the mid-point of our indicative Offer Price range and that the Over-allotment Option is not exercised) in relation to the Global Offering are approximately ¥1,149 million (approximately HK\$76 million), of which approximately: (1) ¥340 million (approximately HK\$22 million) is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from equity; and (2) ¥809 million (approximately HK\$54 million) is to be charged as administrative expenses to our profit and loss accounts for the year ending 31 March 2015. Out of this amount, approximately ¥226 million (approximately HK\$15 million) had been charged to our profit and loss account for the six months ended 30 September 2014, and a further amount of approximately ¥583 million (approximately HK\$39 million) is expected to be charged to our profit and loss account as administrative and other operating expenses for the six months ending 31 March 2015.

PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, our independent Property Valuer, has valued selected properties in Japan (in which our Group has interests) as at 31 January 2015 and is of the opinion that the value was (in aggregate) ¥1,452.2 million, with the entire value attributable to us. The key assumptions adopted by our Property Valuer in valuing such properties include (among others): (1) transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid; (2) information and advice given by our Group regarding the title to each of the properties and the interests of our Group in the properties; and (3) our Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the

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whole of the respective unexpired land use term as granted. For its valuation, our Property Valuer used the investment approach. You (as a potential investor) are advised that the appraised value of these selected properties should not be taken as their actual realisable value or a forecast of their actual realisable value. See “Appendix III – Valuation Report on Selected Property Interests” on page III-1.

RECENT DEVELOPMENTS

The material developments on our operations and financial position since 30 September 2014 (being the end of the Track Record Period) are: (1) we opened two new suburban halls, namely one in Saitama Prefecture (埼玉県) (with 480 pachinko and 336 pachislot machines) in November 2014 and one in Gunma Prefecture (群馬県) (with 350 pachinko and 176 pachislot machines) in December 2014 (the “**Recently Opened Halls**”), bringing our total number of operating halls to 55 as at the Latest Practicable Date; (2) for the three months ended 31 December 2014, the utilisation rate of our pachinko and pachislot machines (excluding the machines at the Recently Opened Halls) dropped to approximately 25.7% and 21.5% (compared to 27.5% and 22.8% for the six months ended 30 September 2014), respectively. However, after we cancelled the G-prize mark-ups for 17 of our halls in December 2014, the utilisation rate of our pachinko and pachislot machines (excluding the machines at the Recently Opened Halls) improved to approximately 26.2% and 22.8% in January 2015 due to increased player traffic at such halls, respectively. Further, our revenue margin for the four months ended 31 January 2015 increased to approximately 20.7% (compared to 16.7% for the six months ended 30 September 2014) due to a decrease in our payout ratio. The above is based on information derived from our operation for the ten months ended 31 January 2015; and (3) in October 2014, we opened our first and flagship “LIZARRAN” restaurant (with a seating capacity of 82) in Tokyo (東京都).

We intend to close down three of our urban halls in Tokyo (東京都) by the end of 2015. To close two of these halls (which are loss-making), we expect to incur costs of ¥327 million (subject to negotiation), consisting of rent for the remaining term of the lease and restoration fees. Nevertheless, we expect the Group’s financial performance to improve in the long run as these two halls show insufficient potential in generating positive financial results in the future. For the third hall, it is profit-making and being closed purely due to city planning by the government of Tokyo (東京都) and we do not expect such closure to cause any negative financial impact as we expect to receive full compensation (including loss of income) from such government. See “Business – Strategies – Improve the performance of our urban halls” on page 202 and “Business – New Hall Development” on page 235.

Further, in 2014, the Diet was examining a bill legalising the operations of casinos in Japan in 2014. However, as advised by our Japan Legal Adviser, this bill has since been discarded and there is no longer any formal legislative procedure to consider the legalisation of casino operations in Japan. In any case, if casino operations are eventually legalised, this means we may also face competition from casinos and other gaming venues.

SUMMARY

Also, we currently expect that our financial results for the year ending 31 March 2015 will be negatively impacted by two one-off expenses, namely the estimated listing expenses (including those already incurred for the six months ended 30 September 2014) and the retirement payment as described above on pages 10 and 12.

Save as disclosed above, our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 September 2014 (the date of the latest audited consolidated financial information of our Group) and up to the date of this Prospectus. Also, as far as our Directors are aware, there has also been no material change in the general economic or market conditions in Japan that would have a material and adverse impact on our business operation or financial condition since 30 September 2014 to the date of this Prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.19, we estimate that we will receive net proceeds of approximately HK\$281 million (equivalent to approximately ¥4,259 million) from the Global Offering (after deducting underwriting fees and other estimated expenses payable by us in relation to the Global Offering and assuming the Over-allotment Option is not exercised). See “Future Plans and Use of Proceeds” on page 405. Our intended uses are set out below:

Net Proceeds		% of Total Net Proceeds	Intended Use
(HK\$ million)	(¥ million)	(%)	
253	3,833	90	Open five new suburban halls in Northeast Honshu (本州島東北) over the next two years
22	341	8	Invest in our information technology system
6	85	2	Working capital and other general corporate purposes of our Group

OFFER STATISTICS

The statistics in the table below are calculated based on the following assumptions: (1) the Over-allotment Option will not be exercised; and (2) there are 1,195,850,460 Shares in issue immediately after completion of the Global Offering.

	Based on an Offer Price of HK\$1.10		Based on an Offer Price of HK\$1.28	
	¥	HK\$	¥	HK\$
Market capitalisation of the Shares	19,929 million	1,315 million	23,190 million	1,531 million
Unaudited pro forma adjusted net tangible assets per Share ⁽¹⁾	20.7	1.37	21.4	1.41

(1) The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information” on page II-1.

SUMMARY

SHAREHOLDER INFORMATION

Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Taniguchi Consortium will together control an aggregate of approximately 69.5% of our total number of issued Shares and are our Controlling Shareholders. Each member of the Taniguchi Consortium is an associate of (under the Listing Rules), and a person acting in concert with (under the Takeovers Code), each other. Our other Shareholders will be an Executive Officer, a former member of our senior management, the ESOA as well as participants of the Global Offering. See “History and Corporate Development – Shareholding Structure” on page 173. We operate independently of our Controlling Shareholders. See “Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders” on page 371.

DIVIDEND POLICY

During the Track Record Period we declared and paid dividends in the amount of ¥110 million, ¥110 million, ¥183 million and ¥183 million for the years ended 31 March 2012, 2013 and 2014 and for the six months ended 30 September 2014, respectively. Our distribution of dividends will be subject to the availability of Distributable Amount and compliance with applicable laws and regulations in Japan and Hong Kong. We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends will be generally formulated by our Board at their discretion. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, the size of our Distributable Amount (calculated according to the relevant provisions under the Japan Companies Act), our Articles, the Japan Companies Act and any other applicable Japan law and regulations (as discussed below) and other factors that our Directors may consider relevant. We currently intend to recommend dividends totalling approximately 30% of our consolidated net profit after tax attributable to our shareholders (calculated in accordance with IFRS) from the year ending 31 March 2016 onwards, to be distributed on an interim and year-end basis. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements, availability of Distributable Amount and any other conditions that our Directors may deem relevant. There is no assurance that dividends of any amount will be declared or distributed in any year. You should note that historical dividend distributions are not indicative of our future dividend policy. See “Financial Information – Dividend Policy” on page 366 for details on our dividend policy.

Going forward, Shareholders that are entitled to receive cash dividends (if any) from our Company will have the option of receiving their entitlements in either Japanese Yen or Hong Kong Dollars, except for CCASS Beneficial Owners, who will receive dividend payments in Hong Kong Dollars. Shareholders who are either residents in Hong Kong or corporations incorporated in Hong Kong without any permanent establishment in Japan are entitled to a reduced withholding tax rate under the Hong Kong-Japan Tax Treaty. See “Key Japan Legal and Regulatory Matters – E. Taxation – 1. Withholding Tax on Dividend Payment” on page 89 for details on our obligation under Japan law to withhold tax prior to payment of dividends and also for the application procedures for such reduced withholding tax rate.