This section and other sections of this Prospectus contain information and statistics relating to the Japan economy and the pachinko industry, which have been extracted and derived from various publications, including government agencies, and a commissioned report prepared by EBI. We believe the sources of the information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing them. We have no reason to believe that such information and statistics are false or misleading. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), or any of their affiliates or advisers, or any other party involved in the Global Offering, other than EBI with respect to the information contained in the report prepared by EBI. No representation is given as to the accuracy or completeness of such information and statistics. See "Risk Factors — Risk relating to Global Offering — Certain statistics, projected industry data and other information relating to the economy and the pachinko industry in Japan 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 dropped by 0.5% in 2011 due to the Great East Japan Earthquake in March 2011, the Japanese economy rebounded in 2012 and real GDP grew by 1.5%. From 2014 to 2018, real GDP is expected to grow at a slower pace at 0.8% to 0.9% due to the consumption tax hike from 5% to 8% in April 2014 and the recent recession of the Japanese economy. The table below shows certain economic data with respect to Japan for the indicated dates and years:

											CAGR	
	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2009 - 2013	2014E - 2018E
Total population of Japan as at 31 December (thousands)	125,820	126,382	126,180	125,957	125,704	125,450	125,220	125,000	124,770	124,550	0.0%	-0.2%
Total real GDP of Japan (¥ billion)	489,588	512,364	510,045	517,514	525,366	530,047	534,425	538,934	543,843	548,852	1.8%	0.9%
Growth rate of the total real GDP of Japan (%)		4.7%	-0.5%	1.5%	1.5%	0.9%	0.8%	0.8%	0.9%	0.9%		

Source: International Monetary Fund, Japan Statistics Bureau and EBI

Disposable Income and Consumption Expenditure

From 2009 to 2013, monthly disposable income and consumption expenditure per household remained relatively stable and culture and recreation activities (such as pachinko) accounted for 9.7% of monthly consumption expenditure per household in 2013. As a recreation activity, pachinko players rely on household disposable income levels, which in turn, are affected by employment rates, taxes and the general state of the economy. When household disposable income level rises, people are then capable of spending more on discretionary services, driving up pachinko gross pay-ins. Conversely, consumers may defer or reduce visits to pachinko halls when they have lower disposable income. The table below shows the monthly disposable income and the consumption expenditure per household for the indicated years:

	2009	2010	2011	2012	2013	CAGR 2009 - 2013
Monthly disposable income per household (¥)	**427,900**	**430,000**	**420,500**	**425,000**	**426,100**	**-0.1%**
Growth rate of monthly disposable income per household (%)		0.5%	-2.2%	1.1%	0.3%	N/A
Monthly consumption expenditure per household (¥)	**319,100**	**318,300**	**308,800**	**313,900**	**319,170**	**0.0%**
Growth rate of monthly consumption expenditure per household (%)		-0.35	-3.0%	1.7%	1.7%	N/A

Source: Japan Statistics Bureau

Northeast Honshu (本州島東北)

As at the Latest Practicable Date, our Group operated pachinko halls in ten prefectures of Northeast Honshu (本州島東北), Japan, namely: (1) in the Tōhoku Region (東北地方): Fukushima Prefecture (福島県), Miyagi Prefecture (宮城県) and Yamagata Prefecture (山形県); (2) in the Kantō Region (関東地方): Tokyo (東京都), Ibaraki Prefecture (茨城県), Gunma Prefecture (群馬県), Kanagawa Prefecture (神奈川県), Tochigi Prefecture (栃木県) and Saitama Prefecture (埼玉県); and (3) in the Chūbu Region (中部地方): Niigata Prefecture (新潟県). These ten prefectures had a total population of 47.4 million as at 31 December 2013 and real GDP of ¥202.9 trillion in 2013, representing 37.7% and 38.6% of the country's population as at 31 December 2013 and real GDP in 2013, respectively. The table below shows certain economic data with respect to the ten prefectures for the indicated dates and periods:

	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	CAGR 2009 - 2013	CAGR 2014E - 2018E
Total population of the ten prefectures as at 31 December (thousands)	**46,906**	**47,395**	**47,367**	**47,358**	**47,380**	**47,384**	**47,389**	**47,376**	**47,360**	**47,352**	**0.3%**	**0.0%**
Percentage of total population of the ten prefectures out of that of Japan (%)	37.3	37.5	37.5	37.6	37.7	37.8	37.8	37.9	38.0	38.0	N/A	N/A
Total real GDP of the ten prefectures (¥ billion)	**194,571**	**195,846**	**196,528**	**199,395**	**202,918**	**203,836**	**206,042**	**208,810**	**212,231**	**216,697**	**1.1%**	**1.5%**
Growth rate of the total real GDP of the ten prefectures (%)		0.7	0.3	1.5	1.8	0.5	1.1	1.3	1.6	2.1	N/A	N/A

Source: Japan Statistics Bureau and EBI

THE PACHINKO INDUSTRY IN JAPAN

History and Development of the Pachinko Industry

Pachinko is one of the most popular forms of entertainment for adults in Japan. Pachinko machines first appeared in Japan in the early twentieth century. Pachinko halls were closed down during World War II and did not reemerge 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 late nineteenth century in the United States. A few decades later, adapted and further developed by a game console maker, 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, machines are 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.

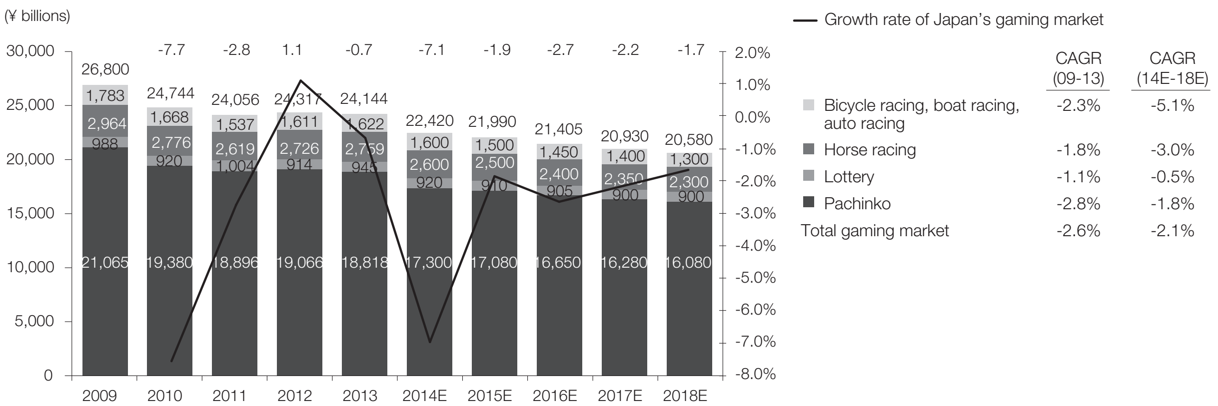
The playing cost for pachinko and pachislot was ¥4 and ¥20 per ball or token (before consumption tax), until ¥1 pachinko and ¥5 pachislot (before consumption tax) were introduced in 2006 and 2008, respectively. The playing cost was further reduced to ¥0.5 pachinko and ¥2 pachislot (before consumption tax) in the subsequent years. Low playing cost pachinko and pachislot reduce the gaming features and enhance the entertainment value of pachinko and pachislot as they enable a lower participation cost and allow players to play longer at the same playing cost. Low playing cost pachinko and pachislot were introduced to address the demand of pachinko players for entertainment.

The pachinko industry is under the close supervision of the Japanese government, and rules and regulations have been introduced to control its gaming features. There are strict rules under the Amusement Business Law and its subordinate regulations and also the Enforcement Ordinance governing (among others) the licensing of hall operators, payout ratios and technical specifications of machines. For a further description of these laws and regulations, see "Applicable 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.

According to EBI, the introduction of legislation reducing the size of jackpots contributed to the decline of gross pay-ins since the early 2000's. For example, current laws and regulations restrict the number of pachinko balls that the machine may pay out to between 0.5 to 2.0 times the number of balls put into play over a continuous 10-hour period and they restrict the number of pachislot tokens that the machine may pay out to between 0.55 to 1.2 times the number of tokens played during the course of 17,500 consecutive plays. Players that are more attracted to the chance element of the game (to win a larger amount of prizes) may seek other forms of gaming while players that are more attracted to the entertainment aspect of the game remain. There are various key factors that potentially affect the profitability of a hall operator, including the scale of operations, payout ratio, mix of machines and G-prize mark-ups. In response to this shift in customer demand, hall operators' business strategies have been to maximise their revenue from pachinko and pachislot hall operation revenue by (i) building larger halls to create an inviting hall environment for the entertainment element rather than the chance element; (ii) promoting low playing cost games; (iii) maintaining gross payouts at commercially viable levels; and (iv) constant update on new machine models. Nevertheless, the pachinko industry remains hugely popular in Japan as the game offer players to win prizes for cash with an element of chance, skill and entertainment.

Largest Contributor to Japan's Gaming Market

The pachinko industry has dominated the gaming sector in Japan, which consists of pachinko, bicycle-racing, boat-racing, auto-racing, horse-racing and lottery. According to EBI, the pachinko industry, in terms of gross revenue, represented 78.0% or ¥18.8 trillion of the general gaming market in Japan in 2013 and was the largest gaming segment. According to EBI, pachinko and pachislot players that are attracted to the chance element of the game (to win a larger amount of prizes), overlap with the participants of public racing, namely, horse-racing, bicycle-racing, boat-racing and auto-racing. Potential pachinko and pachislot players in prefectures with less public racing options are more likely to choose pachinko and pachislot as their form of entertainment. Tokyo (東京都) and prefectures around Tokyo (東京都) have more options of entertainment (including public racing) and as a result hall operators in these prefectures face more competition. On the other hand, Fukushima Prefecture (福島県) and nearby prefectures have less options of entertainment (including public racing) and as a result hall operators in these prefectures face less competition. The diagram below shows Japan's gaming market in terms of gross revenue (meaning gross pay-ins for pachinko industry) by industry:

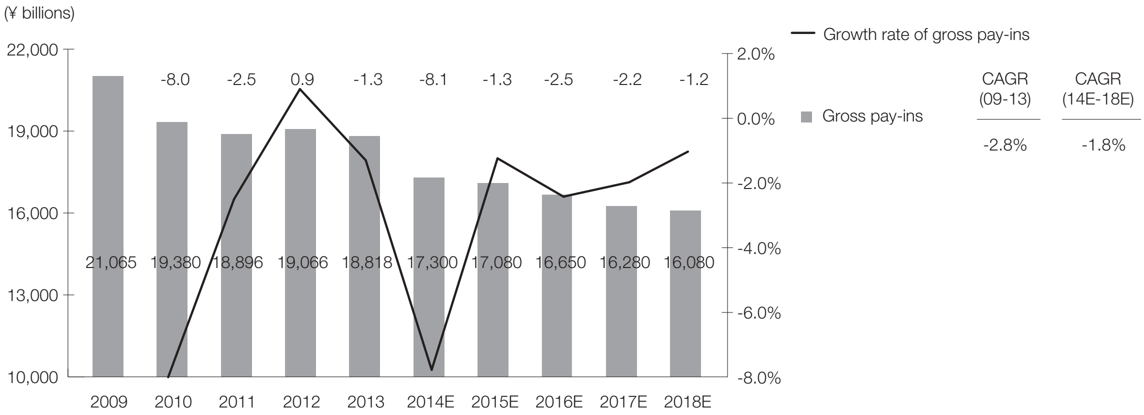


Source: Leisure White Paper 2014 by the Japan Productivity Centre and EBI

Key Trends of the Pachinko Industry in Japan

Declining gross pay-ins

According to EBI, gross pay-ins of the pachinko industry has been declining since early 2000s, due in part to the introduction of legislation reducing the size of jackpots and in part to the competition from other forms of entertainment such as video games, the internet and other mobile entertainment services. Players that are attracted to the chance element of the game (to win a larger amount of prizes) may seek other forms of gaming while players that are more attracted to the entertainment aspect of the game remain. As a result, according to EBI, the pachinko industry is expected to continue to decline from 2014 to 2018 with total gross pay-ins declining from approximately ¥17.3 trillion in 2014 to approximately ¥16.1 trillion in 2018.



Source: Leisure White Paper 2014 by the Japan Productivity Centre and EBI

Growing dominance of large operators

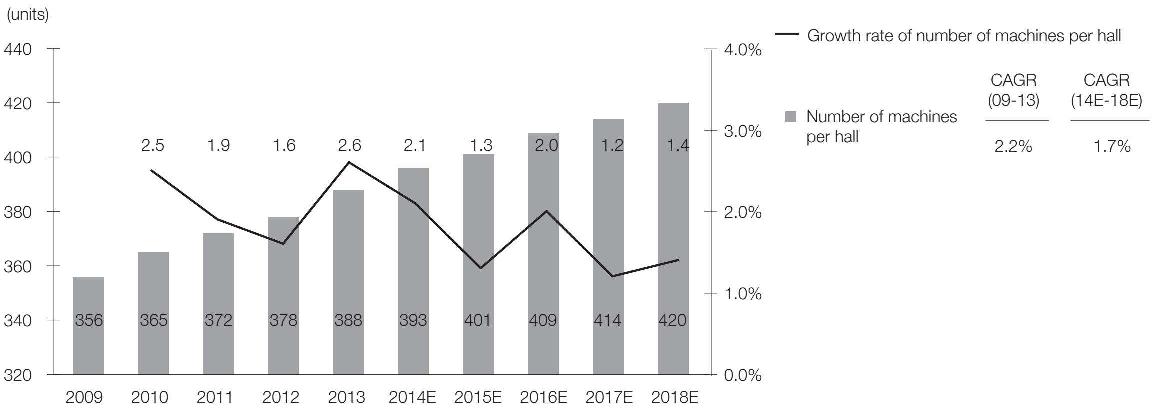
According to EBI, the declining gross pay-ins of the pachinko industry drives hall operators to enhance their efficiency in order to remain profitable under the same cost structure. This situation is particularly favourable to larger hall operators (that operate at least ten halls) as their fixed overhead costs can be shared over a larger amount of operations. Smaller hall operators (that operate less than ten halls) have been gradually pushed out of the market. Therefore, according to EBI, the number of halls across the pachinko industry is expected to shrink. However, due to the growing dominance of larger hall operators, the average number of halls operated by each hall operator is expected to increase.

	Number of operators as at 31 December																			
	2009		2010		2011		2012		2013		2014E		2015E		2016E		2017E		2018E	
		%		%		%		%		%		%		%		%		%		%
Small operators																				
1-2 halls	3,204	74.5%	3,031	73.8%	2,949	73.4%	2,919	73.4%	2,771	72.6%	2,680	72.1%	2,622	72.2%	2,572	72.0%	2,487	71.6%	2,400	71.0%
3-4 halls	579	13.5%	576	14.0%	568	14.1%	557	14.0%	562	14.7%	555	14.9%	547	15.1%	538	15.1%	528	15.2%	520	15.4%
5-9 halls	363	8.4%	350	8.5%	343	8.5%	337	8.5%	323	8.5%	318	8.6%	295	8.1%	285	8.0%	280	8.1%	275	8.1%
Large operators																				
10-14 halls	74	1.7%	69	1.7%	71	1.8%	73	1.8%	73	1.9%	74	2.0%	75	2.1%	77	2.2%	78	2.2%	78	2.3%
15-19 halls	41	1.0%	37	0.9%	35	0.9%	41	1.0%	40	1.0%	41	1.1%	42	1.2%	44	1.2%	46	1.3%	48	1.4%
Over 20 halls	42	0.9%	46	1.1%	51	1.3%	48	1.3%	49	1.3%	51	1.3%	53	1.3%	55	1.5%	56	1.6%	58	1.8%
Total	**4,303**	**100.0%**	**4,109**	**100.0%**	**4,017**	**100.0%**	**3,975**	**100.0%**	**3,818**	**100.0%**	**3,719**	**100.0%**	**3,634**	**100.0%**	**3,571**	**100.0%**	**3,475**	**100.0%**	**3,379**	**100.0%**
Average number of halls operated by a hall operator	2.9		3.0		3.1		3.1		3.1		3.1		3.1		3.1		3.1		3.2	

Source: National Police Agency, Daikoku Denki Co., Ltd. and EBI

Size of pachinko halls

According to EBI, as well as the increase in average number of halls operated by each hall operator, the average number of machines per hall has been increasing in recent years, from approximately 356 machines per hall in 2009 to approximately 388 in 2013. Larger pachinko halls allow hall operators to reduce hall overheads per machine and pachinko players are more attracted to larger halls due to their (1) grand outlook; (2) increased choice of machines; and (3) spacious halls are perceived to be more welcoming for pachinko players which create customer stickiness to the particular hall. This trend is expected to continue in the next few years and the average number of machines per hall in 2018 will be approximately 420.



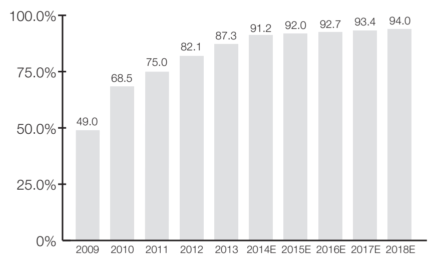
Source: National Police Agency, Daikoku Denki Co., Ltd. and EBI

Introduction of low playing cost pachinko and pachislot machines

According to EBI, due to the shift in customer's demand to focus more on the entertainment aspect of pachinko and pachislot, low playing cost games have been introduced since 2006. Low playing cost pachinko and pachislot enhances the entertainment value of pachinko and pachislot as they enable lower participation cost and allow players to play longer for the same playing cost. As the factor of winning large amounts of prizes become less significant for these players, hall operators have the flexibility to maintain their machines at lower payout ratio without losing the players. According to EBI, hall operators manage gross payouts by maintaining the (i) pins and settings of machines with full compliance under the Amusement Business Law and the Enforcement Ordinance; (ii) proportion of machines according to playing cost and jackpot probability; and (iii) G-prize and general prize mark-ups. As a result, revenue margin of pachinko halls has been increasing to enable hall operators to maximise their revenue.

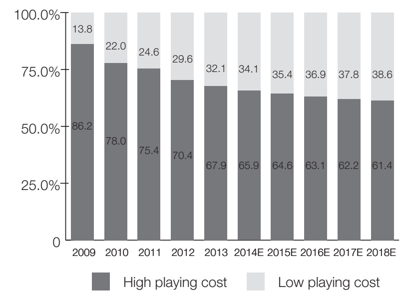
Since the introduction of low playing cost pachinko machines in 2006, the number of pachinko halls equipped with these low playing cost machines has increased steadily. According to EBI, the number of pachinko halls with low playing cost machines increased from 6,199 in 2009 to 10,383 in 2013, representing a CAGR of approximately 13.8%. It is expected that the number of halls equipped with low playing cost machines and that the proportion of low playing cost machines will also increase. The below two diagrams show the percentage of pachinko halls with low playing cost machines and the percentage of low playing machines in the market as at 31 December for the indicated years:

Percentage of halls with low playing cost machines in Japan



Source: EBI

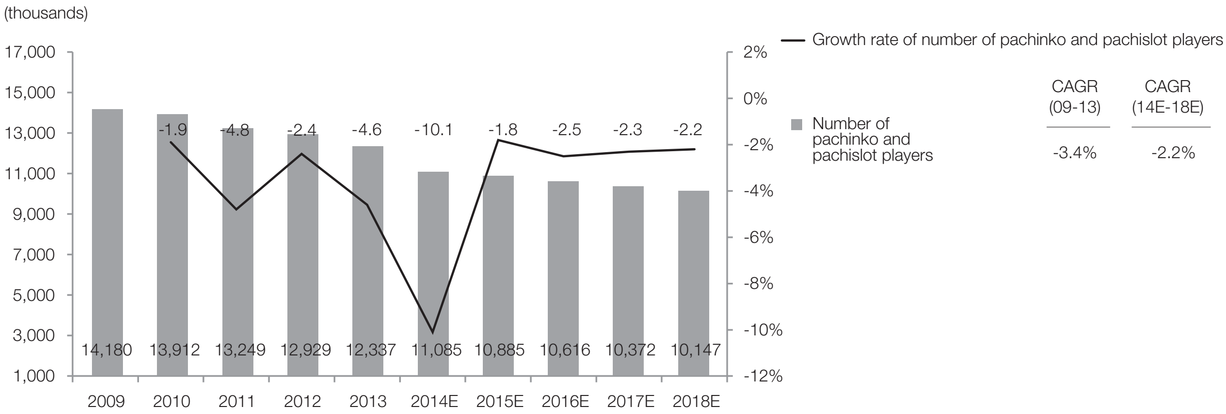
Mix of low and high playing cost machines in Japan



Source: National Police Agency, Daikoku Denki Co., Ltd. and EBI

Pachinko and Pachislot Players

According to EBI, the number of pachinko players is expected to continue decreasing to approximately 10.1 million in 2018. As a result of the increase in consumption tax from 5% to 8% from April 2014 onwards, the player population is expected to experience a more severe drop of 10.1% for the whole year of 2014. The projected stability in pachinko players is anticipated to be largely supported by pachinko players focused on the entertainment aspects of the game who remain playing under certain circumstances, such as favourable hall environment, lower playing costs or new machine titles. The chart below shows the number of pachinko players for the indicated years:

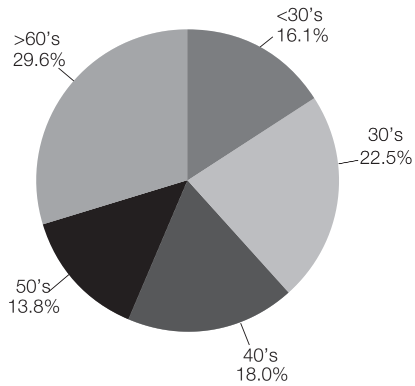


Source: National Police Agency and EBI

Profile of pachinko and pachislot players

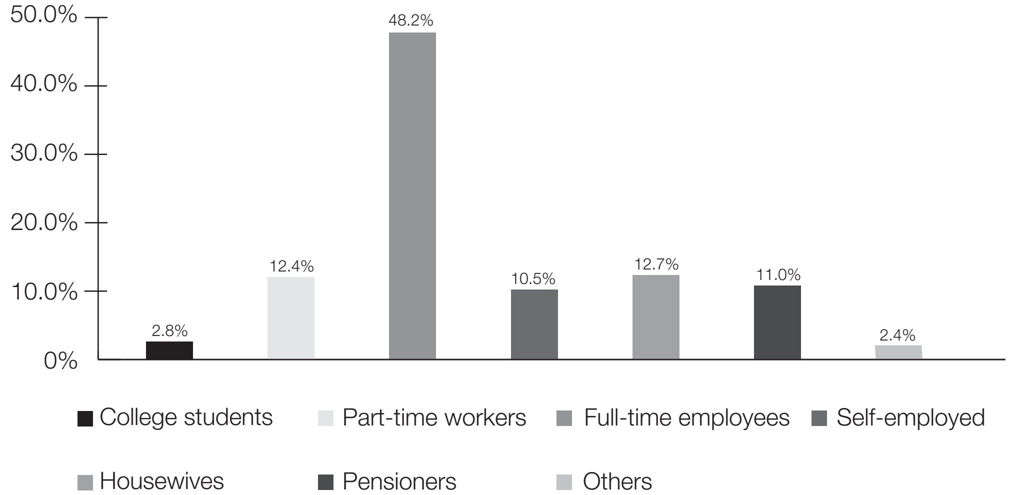
Our halls can be categorised into suburban halls and urban halls. Suburban halls are typically located in the suburbs (areas with relatively low population density, such as the suburbs of Fukushima Prefecture (福島県)), require car access and provide parking spaces. Customers are usually the self-employed (such as farmers and fishermen), factory workers and pensioners, and peak hours are typically from noon to 5 p.m.. Suburban halls generally have stable player traffic on weekdays and weekends. Urban halls are typically located in urban areas (areas with relatively high population density, such as Tokyo (東京都)) and within walking distance of a train station. Customers are usually full-time employees and peak hours are typically from 5 p.m. to 10 p.m. and day time for weekdays and weekends, respectively.

According to EBI, in 2013 approximately 70% of pachinko and pachislot players are male. The majority of pachinko and pachislot players were from the age group of above 60 and 30's, representing 29.6% and 22.5% of the entire pachinko player population, respectively. The diagram below shows breakdowns of pachinko and pachislot players in 2013 by age groups.



Source: Japan Statistics Bureau and EBI

According to EBI, the highest concentration of pachinko and pachislot players in terms of occupation were full-time employees and housewives who represented 48.2% and 12.7% of the relevant players, respectively. The diagram below shows breakdowns of pachinko and pachislot players in 2013 by occupation:



Source: EBI

Industry Outlook for Suburban and Urban Pachinko Halls

According to EBI, there is no correlation between customers of suburban halls or urban halls with: (i) the chance or the entertainment element of pachinko and pachislot; and (ii) the low playing cost machines or high playing cost machines. However, players that prefer low playing cost machines are generally more attracted to the entertainment element of pachinko and pachislot, which means they are less sensitive to movements in payout ratio and are more prepared to accept a lower payout ratio. On the other hand, players that prefer high playing cost machines are generally more attracted to the chance element of pachinko and pachislot (to win a larger amount of prizes), which means they are more sensitive to payout ratios and are more prepared to accept a higher payout ratio.

Suburban pachinko halls

According to EBI, despite the declining gross pay-ins of the pachinko industry, industry outlook for suburban pachinko halls is expected to be relatively more stable. Investments in suburban pachinko halls are expected to benefit from the following factors: (1) land costs (whether for acquisitions or leases) in suburban areas are relatively lower than urban areas, allowing pachinko operators to open larger halls which are usually more attractive to customers; (2) there are significantly less gaming and entertainment options (such as cinemas, public racing and nightlife entertainment) available in suburban areas than urban areas which means relatively lower competition for suburban pachinko halls; (3) the customer base in suburban areas is generally more stable as customers are typically self-employed (such as farmers and fishermen), factory workers and retirees, who usually reside in the surrounding areas, while customers in urban areas are typically full-time office employees, who have more choices in hall selection as halls in urban areas are usually in close proximity to each other; and (4) companies in Japan are increasingly looking to build industrial parks in less populated areas of Japan (such as suburban areas), mainly because there is sufficient land to construct larger buildings with ample parking space, which is expected to increase the working population in these suburban areas.

Urban pachinko halls

According to EBI, the industry outlook for urban pachinko halls is expected to not as positive as that of suburban pachinko halls. Urban pachinko halls (especially halls in Tokyo (東京都) and nearby prefectures) face more competition from other options of entertainment (such as cinemas, public racing and nightlife entertainment) than suburban pachinko halls. As a result of close proximity to each other, urban pachinko halls competing fiercely for market share are forced to incur expenses to differentiate themselves from their competitors, for example: (1) frequent updates of machine models (depending upon the operator's ability to secure the latest machine model from suppliers); and (2) refurbishment of urban pachinko halls in order to project a more pleasant gaming experience for customers. The result is a greater likelihood of higher costs which may lead to declining profits. In addition, the initial investment cost for urban pachinko halls (especially urban areas in Tokyo (東京都)) is usually larger due to high land costs (whether for acquisitions or leases). Therefore, investments in urban pachinko halls require a greater substantial capital outlay.

COMPETITIVE ANALYSIS OF THE PACHINKO INDUSTRY IN JAPAN

Competitive Landscape

The pachinko industry in Japan is highly fragmented with over 3,800 operators as at 31 December 2013. According to EBI, the aggregate gross pay-ins recorded in 2013 by the top five and top ten hall operators, accounted for about 20.5% and 25.8% of the entire market, respectively, while the aggregate number of halls operated by these top five and top ten operators merely represented approximately 7.9% and 9.7% of the total 11,893 halls, respectively, as at 31 December 2013. As at 31 December 2013, there were only eight hall operators that operated over 50 halls.

Summary of the top ten pachinko operators in 2013

Ranking by total gross pay-ins	Hall operator	Approximate % of total gross pay-ins	Number of halls as at 31 December	Approximate % of total number of halls in Japan as at 31 December	Approximate % of total number of machines in Japan as at 31 December
1	A	11.2%	299	2.5%	4.3%
2	B	4.9%	366	3.1%	3.6%
3	C	1.9%	180	1.5%	2.0%
4	Our Group	1.3%	54	0.5%	0.6%
5	D	1.2%	38	0.3%	0.5%
6	E	1.2%	67	0.6%	0.9%
7	F	1.2%	52	0.4%	0.7%
8	G	1.1%	42	0.4%	0.5%
9	H	1.0%	29	0.2%	0.6%
10	I	0.8%	28	0.2%	0.3%
Total		**25.8%**	**1,155**	**9.7%**	**14.0%**

Summary of the top five pachinko operators as at 31 December 2013 in the Fukushima Prefecture (福島県)

Ranking by number of halls	Hall operator	Number of halls in operation	Approximate % of total number of halls	Approximate % of total number of machines
1	Our Group	20	9.3%	13.8%
=2	J	11	5.1%	6.4%
=2	K	11	5.1%	6.2%
4	L	10	4.6%	6.9%
5	M	5	2.3%	3.3%
		57	26.4%	36.6%

Source: EBI

According to EBI, as at 31 December 2013, over 95% of hall operators manage 10 halls or less and only 4.2% of hall operators manage ten halls or more. The average number of halls operated per hall operator remained at approximately three. 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.

Entry Barriers to the Pachinko Industry

- ***Size of operation.*** According to EBI, due to the size of their operation, small hall operators (that operate less than ten halls) have been gradually pushed out of the market. Larger operators, in particular national and regional players, generally have the (i) priority over smaller hall operators for purchases of new machines where stock is limited; (ii) financial strength to build larger pachinko halls with increased number of machines to provide a more spacious and inviting hall environment to create customer stickiness; (iii) ability to source general prize in bulk for a discount; and (iv) effective internal controls and procedures that help ensure their compliance with applicable laws and regulations, as well as detect and prevent fraud, cheating and money laundering activities.

- ***Pachinko hall business licence ("Operating Licence").*** A pachinko hall business is considered an "amusement business" under the Amusement Business Law and other relevant laws, regulations, and prefectural ordinances. Under the Amusement Business Law, a hall operator must, prior to establishing each pachinko hall, obtain an Operating Licence from the relevant Prefectural Public Safety Commission* (都道府県公安委員会). New entrants are not allowed to carry out pachinko hall operations business without an Operating Licence. See "Applicable Laws and Regulations".

- ***Business networks with suppliers.*** According to the EBI, business networks with suppliers such as general prize suppliers, machine suppliers and pachinko ball and pachislot token suppliers are necessary for a pachinko hall operator to carry out its operations. Due to the fragmented nature of the pachinko hall operating industry in Japan, new entrants may not have access to these business networks at commercially viable costs for effective operation.

Opportunities

- ***Industry consolidation.*** Despite the gross pay-ins of the pachinko industry has been on a downward trend since early 2000's, the industry still remains to be economically favourable to the leading national and regional hall operators, according to EBI. As the pachinko industry develops, small hall operators (with less than ten halls in their network) are expected to be eliminated. Leading national and regional hall operators (with at least ten halls in their network) remaining in the market are expected to absorb the market share and to continue to grow their operations as a result, according to EBI.

- ***Online general prize redemption system.*** By collaborating with major online shopping vendors, an online general prize redemption system could be implemented to allow carried over balls to be exchanged to general prizes via the internet. Hall operators are able to (i) expand the selection range of general prizes; and (ii) strategically communicate with potential pachinko and pachislot players regarding new general prizes via the internet. We believe that this new services will attract new players and also increase the return rate of existing customers to pachinko halls.

- ***Low playing cost games.*** As the low playing cost games are considered to be more entertainment oriented, low playing cost games may attract broader customer base, such as players of the retirement age group and players new to pachinko, which may offset the lower revenue 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 games than for the traditional high playing cost games.

Threats

- ***Change in policies and regulations relating to the pachinko industry.*** Policies and regulations implemented by the Japanese government relating to the pachinko industry may significantly affect customer demand and behaviour as well as the various operating metrics that impact the results of pachinko hall operators. For example, the introduction of legislation reducing the size of jackpots had contributed to the decline of gross pay-ins, which adversely impacted the operating results of pachinko hall operators across the industry.

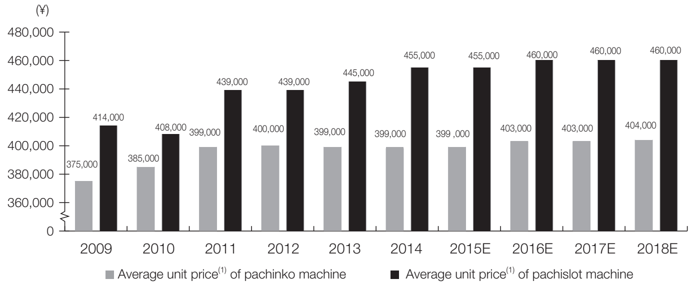
  The Diet was previously examining a bill legalising the operations of casinos in Japan in 2014, though, as advised by our Japan Legal Adviser, the bill has since been discarded. In any case, if casino operations are eventually legalised, pachinko operators may also face competition from casinos, which may have a negative impact on the pachinko industry. In addition, there have been discussions about the introduction of a pachinko tax, although no legislative process has taken place yet. However, if such additional tax is indeed imposed, the pachinko industry as a whole may be negatively impacted. However, such casino legalisation and tax may catalyse the closure of smaller pachinko operators due to their weaker financial strength, while larger pachinko operators are more likely to absorb the freed up market share as a result.

- ***Consumption tax hike.*** Consumption tax rate in Japan rose from 5% to 8% in April 2014. According to EBI, the pachinko and pachislot players have comparatively low income, and are considered to be price sensitive. Therefore, further increase in consumption tax rate is likely to bring negative impact to hall operators' profit as a result of the decrease in spending power of the pachinko and pachislot players.

- ***Rising costs.*** According to EBI, the top three expenses of hall operations are pachinko and pachislot machine expenses, hall staff costs and advertising expenses. These costs, in particular the pachinko and pachislot machine expenses, have been rising steadily over recent years. High machine costs have become one of the major challenges to hall operators.

PRICE TREND OF PACHINKO AND PACHISLOT MACHINES

The diagram below shows the average unit price of pachinko machine and pachislot machine for the years indicated:



(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.

Source: EBI

According to EBI, generally, the amount spent on pachinko and pachislot machine accounts for more than 25% of the operating expenses of the hall operator due to the significant costs for the machine purchase as well as the necessity for the frequent replacement of machines. According to EBI, prices of pachinko and pachislot machines are generally affected by the demand and supply of the machine models coupled with the costs of the relevant machines. The average unit price of the pachinko and pachislot machines are expected to increase from approximately ¥399,000 and ¥455,000 in 2014, respectively, to approximately ¥404,000 and ¥460,000 in 2018, respectively, as a result of rising costs of machine components.

SOURCES OF INFORMATION

In connection with the Listing, we have commissioned a research report from EBI for use in part in this Prospectus to provide prospective investors with necessary information on the economy of Japan, the industry and market segments in which we operate and our competitive position, including forward-looking information. The total fee we paid for their report was ¥3,500,000. 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 their 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. In compiling and preparing their report, EBI assumed that (i) Japan's social, economic and political environment is likely to remain stable and (ii) key industry trends are likely to continue to affect the market over the forecast period from 2014 to

2018. For the projection of total market size and number of pachinko players, EBI plotted available historical data against macroeconomic data as well as data with respect to related industry trends. The projections and data relating to the future periods in this section were extracted from EBI's report. The Directors and the Sole Sponsor believe such projections and data to be reliable and not misleading on the basis that EBI is an independent professional research agency with extensive experience in their profession.

NO MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors, after reasonable consideration, confirm that they were not aware of any adverse change to the market information since the date of the EBI report which may qualify, contradict or have an impact on the information in this section.