
HISTORY AND CORPORATE DEVELOPMENT

HISTORY AND BUSINESS DEVELOPMENT

Origin and founder

We have been operating pachinko halls for over 60 years in Northeast Honshu (本州島東北), Japan, stretching in cities, townships and suburban areas in Tokyo (東京都), the nation's capital, and the Northeast prefecture of Fukushima Prefecture (福島県) and their neighbouring and conjoining prefectures. We can trace our origin back to 1950, when Mr. Tetsuyoshi TANIGUCHI (谷口哲義)[#] (also known as Mr. JEONG Bokyoung (鄭福鎔)), our founder and the late father of our Chairman (the “**Founder**”), established our first pachinko hall in Mito City (水戸市), Ibaraki Prefecture (茨城県) in East Japan, captivating the booming popularity of pachinko and the prosperity of the Japan economy in the post-war era. Our Founder, who was a businessman of Korean heritage with no prior industry experience in pachinko hall operations when he founded our Group in 1950 with his and his siblings' personal savings, had since, together with generations of the Taniguchi family and the former and current members of our senior management, developed our Group into the fourth largest pachinko hall operator in Japan in 2013 (based on gross pay-ins¹), according to EBI.

Since opening our door of our first pachinko hall to our customers in 1950, we have stood by our corporate slogan of “*Happy Time Creation*”, placing primary focus on customer experience and goodwill. This has allowed us to adapt to changing industry trends and customer preferences throughout our operating history and continually develop into an operator of 55 pachinko halls that we are today. The table below shows our key achievements and business milestones in our 60 years of heritage:

Business milestones

1950s - 1960s *Beginning and early development*

Our Founder gradually expanded his small-scale operations by adding five pachinko halls in Tochigi Prefecture (栃木県) and Ibaraki Prefecture (茨城県), before settling into our current base of Fukushima Prefecture (福島県). In 1954, our first hall in Koriyama City (郡山市), Fukushima Prefecture (福島県) opened, utilising our pivotal brand of “*NIRAKU*”. At that time, our “*NIRAKU*” brand was used alongside its Japanese *kanji* characters “二樂”, which translates into “*double happiness*” and highlights the importance we place on customer satisfaction.

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

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Our Koriyama (郡山) hall was located within close proximity of the Koriyama train station, taking advantage of the high pedestrian and commuter flow and established commercial infrastructure in that area.

Incorporation of Niraku Corporation

In August 1969, to consolidate his ownership in and strengthen the corporate structure and management of our pachinko hall operations, our Founder incorporated our first corporate entity, Niraku Corporation (known as Niraku Shoji Corporation* (二楽商事株式会社) at that time). Apart from our Founder, the other shareholders of Niraku Corporation, which remains as our primary operating subsidiary, were his siblings who had contributed funds to our foundation in 1950.

1970s - 1980s

Redevelopment of the Koriyama (郡山) hall

The year of 1979 saw the reconstruction and refurbishment of our station-front pachinko hall in Koriyama City (郡山市), Fukushima Prefecture (福島県), which was our flagship hall at that time. In July, the new station-front hall, re-named “*Daiwa* (大輪)”, reopened as an amusement complex where we operated the Koriyama City Hotel* (郡山シティホテル) and a cafe in the same building. Based on our Directors’ industry knowledge, this multi-purpose business model of our station-front pachinko hall was the first of its kind in Japan.

Further expansion in Fukushima Prefecture (福島県)

In the 1980s, we solidified our home base in Fukushima Prefecture (福島県) by opening four pachinko halls, three of which were located in Koriyama City (郡山市), throughout the prefecture. In particular, our Zukei (図景) hall, opened in October 1984, was our first venture into suburban areas.

1990 - 1998

Tokyo (東京都) venture and metropolitan strategy

The revision of the Amusement Business Law in 1985 which standardised the licensing regime and regulatory framework of pachinko and pachislot hall operations in Japan provided a favourable environment for our development in 1990s. Between 1990 to 1997, we opened ten new pachinko halls, most of which were located within cities precincts and densely populated areas. Capitalising on the continual urbanisation and economic development of the Tokyo (東京都) metropolitan area, we expanded into the capital by opening pachinko halls in Umeyashiki (梅屋敷) (November 1994), Nakano Shimbashi (中野新橋) (August 1992), Nagahara (長原) (September 1992) and Higashiyamato (東大和) (June 1996).

In August 1992, we opened our tenth hall in Nakano Shimbashi (中野新橋), Tokyo.

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Establishment of Koriyama (郡山) corporate complex

In December 1991, we established a corporate complex dubbed “*Nikku Club*” in Koriyama City (郡山市). Our corporate complex was owned by our Founder and used as staff dormitory, meeting and corporate facilities. Having been transferred to Niraku Corporation in July 2000, we now utilise it as staff training facilities to ensure service and product consistency across our pachinko hall network.

Succession

In August 1998, our Founder retired and succeeded his chairmanship to Mr. Masataka TANIGUCHI (谷口晶貴), who remain as a member of the Taniguchi Consortium. At the same time, Niraku Corporation also adopted its current name of 株式会社ニラク.

1999 - 2005

Suburban strategy

Under the leadership of Mr. Masataka TANIGUCHI (谷口晶貴), our hall opening strategy gradually shifted towards the suburban areas in Northeast Honshu (本州島東北), capitalising on the growing population of these areas, construction of highways linking Tokyo (東京都) and the Northeast prefectures of Japan and advancement of motorisation. Our suburban halls are typically larger in size and stocked with a greater variety of general prizes.

We embarked on our suburban strategy in August 2001 when our Sendai (仙台) hall in Miyagi Prefecture (宮城県) opened. This was followed by the addition of five pachinko halls in suburban areas in the year of 2001.

Introduction of our “NIRAKU” brand

The year of 2002 was important to our operations because our pivotal brand, “*NIRAKU*”, was re-introduced as we opened our Yoshihara (吉原) hall in Yamagata Prefecture (山形県). In the same year, we began to phase out the “*Daiwa* (大輪)” brand and other hall brands across our operations in favour of our “*NIRAKU*” brand. By the end of 2005, all but one hall of our Group utilised our “*NIRAKU*” brand and bear, in general, standardised interior and exterior decorations.

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Centralised management strategy

We began to adopt a centralised management strategy in 1999, which leverages on the economies of scale and the considerable number of pachinko halls under our operations to centralise and standardise processes throughout our hall operations, including overall management, new hall development, machine procurement, prize procurement, IT systems, marketing, recruitment and training of full-time employees, internal audit and daily operations. Our centralised management strategy allowed us to simplify and expedite our new hall development process, as evidenced by the addition of 15 pachinko halls to our operations between 2002 and 2005.

In February 2003, we opened our 20th pachinko hall in Soma (相馬), Fukushima Prefecture (福島県).

2006 - 2010

Acceleration of expansion

Following on the general industry trend of market consolidation across the pachinko industry and captivating the economic benefits of our centralised management strategy, we further expanded by opening 16 new pachinko halls in Tokyo (東京都), Fukushima Prefecture (福島県) and their neighbouring and conjoining prefectures. In particular, with the opening of Fukushima Sasakino (福島笹木野) hall, our 20th pachinko hall in Fukushima Prefecture (福島県) in November 2010, we fortified our market-leading position in the area. As at the Latest Practicable Date, we operated 20 pachinko halls in Fukushima Prefecture (福島県), more than any other pachinko operator in Japan, according to EBI.

In April 2010, our Chairman was elected as the representative director and president* (代表取締役社長) of Niraku Corporation and became primarily in charge of the operation and management of our Group as a whole.

Offering of low-cost pachinko

In response to the changing popularity of pachinko, in 2007, we began to gradually offer a number of low-cost pachinko and pachislot machines, in addition to our traditional high playing cost games, across our operations in accordance with local demand and market conditions in each pachinko halls. We believe that it has enabled us to attract a broader range of customers, such as women, younger players and non-traditional pachinko players, adapt to the dynamic industry trend and further increase our market share.

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Corporate social responsibility

In February 2010, we incorporated Merrist, a special subsidiary* (特例子会社) of our Group to employ persons with disabilities in our hall cleaning, gardening and general administrative functions. Our initiatives in hiring disabled persons were recognised and awarded by the Ministry of Health, Labour and Welfare* (厚労省).

2011 - 2013

Continual development

Between 2011 and 2013, despite the short-term set-backs due to the aftermaths of the Great East Japan Earthquake in March 2011, we continued to grow steadily with the opening of four pachinko halls in Northeast Honshu (本州島東北).

In May 2011, we achieved a significant milestone as we opened our 50th pachinko hall in Koriyama Arai (郡山荒井), Fukushima Prefecture (福島県).

Property activities

In 2011, Nexia, our wholly-owned subsidiary, acquired two properties in Japan for leasing and renting to third party customers as office premises and residential apartment units. Income from our property activities provide us with an additional steady source of income.

Incorporation of our Company

In January 2013, our Company was incorporated and, having undergone a series of restructuring in April 2013, became the holding company of Niraku Corporation, allowing the Taniguchi Consortium to consolidate their control and ownership in our Group and streamline our corporate structure.

2014

Launch of Spanish restaurant franchise

In October 2014, we opened our first Spanish restaurant in Tokyo under the brand “LIZARRAN”, which operated under a franchise agreement with a food and beverage company in Spain, the details of which are set out in “Business - Other Businesses”. Our ancillary business of Spanish restaurant allowed us to diversify our source of income and, by sending pachinko hall staff to attend periodic training at the restaurant, thereby enhancing our customer service standards.

We added two, two, one and nil pachinko halls, respectively, in each of the financial years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014. In addition, we added two pachinko halls to our network after the Track Record Period. Under the leadership of our Chairman and his predecessors, we have evolved from one pachinko hall in Koriyama City (郡山市) into a chain operation of 55 pachinko halls across Northeast Honshu (本州島東北) as at the Latest Practicable Date, providing entertainment to a variety of customers with different preferences, all managed and operated under one single corporate slogan - “Happy Time Creation”.

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SHAREHOLDING STRUCTURE

Our Company was incorporated on 10 January 2013 in Japan as the holding company of our Group. Over the course of our business history, our shareholding structure has remained stable. As the Taniguchi Consortium has maintained dominant control over our Company and our subsidiaries throughout the Track Record Period, we do not consider any of the shareholding changes in our Group during the Track Record Period was significant to us.

Immediately upon completion of the Global Offering, the members of the Taniguchi Consortium, who are associates of each other under the Listing Rules and persons acting in concert with each other within the meanings of the Takeovers Code, will together control approximately 69.5% of the voting rights in our Company and hence are our Controlling Shareholders. Our other Shareholders will be an Executive Officer, a former member of our senior management, the ESOA, as well as the participants of the Global Offering.

Taniguchi Consortium

The Taniguchi Consortium comprises our Chairman and a group of: (1) natural persons, who are family members of our Chairman; and (2) corporate entities, which are controlled by the family members of our Chairman. Certain Shares held by the Taniguchi Consortium are subject to trust arrangements. See “— Shareholding Structure — Taniguchi Consortium — Family trust arrangements” in this section below for details. The table below shows the identities of the members of the Taniguchi Consortium and their respective shareholding interests in our Company immediately prior to the completion of the Global Offering:

Name	Immediately prior to the completion of the Global Offering		Relationship (for individuals)/ Shareholders and voting rights (for corporate entities)
	No. of Shares⁽¹⁾	Approximate shareholding percentage⁽⁶⁾	
<i>Taniguchi Consortium</i>			
Our Chairman	212,980,460	23.8%	N/A
Tatsuo TANIGUCHI (谷口龍雄) ⁽²⁾	203,090,000	22.6%	Brother of our Chairman
Masataka TANIGUCHI (谷口晶貴) ⁽³⁾	145,820,000	16.3%	Brother of our Chairman
Yoshihiro TEI (鄭義弘) [#] (also known as JEONG Jungwung) ⁽⁴⁾	86,940,000	9.7%	Brother of our Chairman
Mitsuhiro TEI (鄭允碩) ⁽⁵⁾	27,485,000	3.1%	Nephew of our Chairman
Motohiro TEI (鄭元碩) ⁽⁵⁾	27,485,000	3.1%	Nephew of our Chairman

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Name	Immediately prior to the completion of the Global Offering		Relationship (for individuals)/ Shareholders and voting rights (for corporate entities)
	No. of Shares ⁽¹⁾	Approximate shareholding percentage ⁽⁶⁾	
Eijun TEI (鄭盈順) ⁽⁵⁾	27,485,000	3.1%	Niece of our Chairman
Rika TEI (鄭理香) ⁽⁵⁾	27,485,000	3.1%	Niece of our Chairman
Noriko KANESHIRO (金城徳子)	11,500,000	1.3%	Sister of our Chairman
Jukki Limited* (有限会社十起)	19,320,000	2.1%	33.3% by Ms. Yoshika TEI (鄭淑佳) [#] (also known as Ms. JEONG Sukka) 33.3% by Mr. Kousei TEI (鄭光誠) [#] (also known as Mr. CHONG Gangsong) 33.3% by Mr. Kiyokazu TANIGUCHI (谷口清和), each being a child of Mr. Tatsuo TANIGUCHI (谷口龍雄), who is entitled to exercise the voting rights as the sole director
Densho Limited* (有限会社伝承)	11,500,000	1.3%	25% by Ms. Reika TANIGUCHI (谷口玲華) 25% by Mr. Hidenori TANIGUCHI (谷口秀憲) 25% by Ms. Yuryon TANIGUCHI (谷口有鈴) 25% by Mr. Hirohide TANIGUCHI (谷口博秀), each being a child of our Chairman, who is entitled to exercise the voting rights as the sole director.
Echo Limited* (有限会社エコー)	11,500,000	1.3%	25% by Mr. Mitsuhiro TEI (鄭允碩) 25% by Mr. Motohiro TEI (鄭元碩) 25% by Ms. Eijun TEI (鄭盈順) 25% by Ms. Rika TEI (鄭理香), each being a nephew or niece of our Chairman. Mr. Mitsuhiro TEI (鄭允碩) is entitled to exercise the voting rights as the sole director.

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Name	Immediately prior to the completion of the Global Offering		Relationship (for individuals)/ Shareholders and voting rights (for corporate entities)
	No. of Shares ⁽¹⁾	Approximate shareholding percentage ⁽⁶⁾	
Daiki Limited* (有限会社大喜) .	11,500,000	1.3%	50% by Mr. Akinori TEI (鄭敬憲) [#] (also known as JEONG Kyeongheon) 50% by Mr. Masahide TEI (鄭將英) [#] (also known as JEONG Jangyeong), each being a child of Mr. Yoshihiro TEI (鄭義弘) [#] (also known as JEONG Jungwung), who is entitled to exercise the voting rights as the sole director.
Hokuyo Kanko Limited* (有限会社北陽観光)	5,750,000	0.7%	25% by Mr. Tatsunari TANIGUCHI (谷口辰成) [#] (also known as CHONG Jinsong) 25% by Mr. Takanari TANIGUCHI (谷口喆成) [#] (also known as JEONG Cheolseong) 25% by Mr. Toshinari TANIGUCHI (谷口才成) (also known as CHUNG Jaeseong) 25% by Ms. Rika TANIGUCHI (谷口理華), each being a child of Mr. Masataka TANIGUCHI (谷口晶貴), who is entitled to exercise the voting rights as the sole director.
KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA)	1,380,000	0.1%	33.3% by our Chairman 33.3% by Mr. Masataka TANIGUCHI (谷口晶貴) 33.3% by Mr. Tatsuo TANIGUCHI (谷口龍雄), who is entitled to exercise the voting rights as the sole director
Total:	831,220,460	92.9%	

Notes:

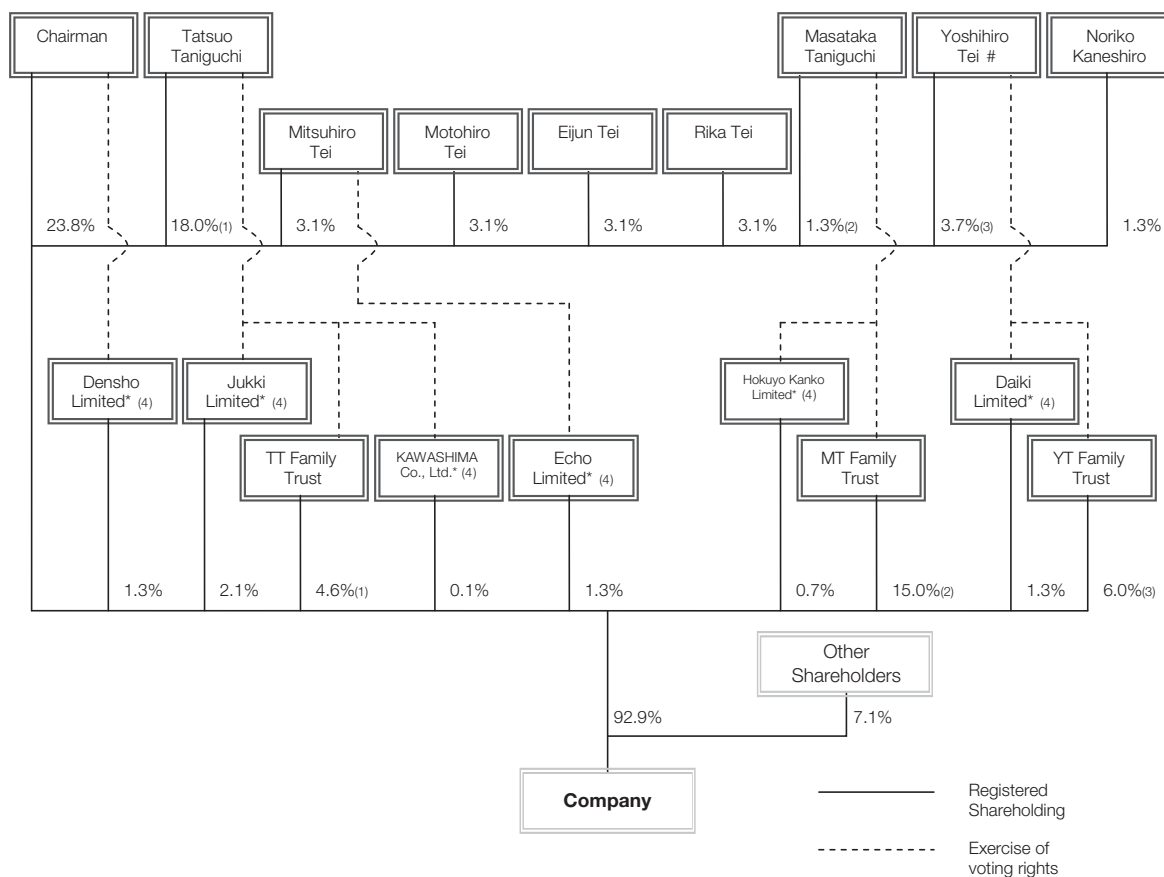
- (1) The numbers of Shares shown above have taken into account the sub-division of Shares approved by our Board on 16 March 2015, pursuant to which each issued Share of nil par value will be sub-divided into 230 Shares of nil par value with effect from 31 March 2015. See “— Corporate Structure and Development — Reorganisation” in this section below for details.

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- (2) The 203,090,000 Shares which Mr. Tatsuo TANIGUCHI (谷口龍雄) will be interested in include: (i) 161,690,000 Shares (representing approximately 18.0% of the total number of Shares issued by our Company immediately prior to the completion of the Global Offering) held in his own name and for his own benefit; and (ii) 41,400,000 Shares (representing approximately 4.6% of the total number of Shares issued by our Company immediately prior to the completion of the Global Offering) held by the TT Family Trust for the benefit of his children. Mr. Tatsuo TANIGUCHI (谷口龍雄) is entitled to exercise the voting rights attached to the Shares held by the TT Family Trust. See “— Shareholding Structure — Taniguchi Consortium — Family trust arrangements” in this section below for details.
- (3) The 145,820,000 Shares which Mr. Masataka TANIGUCHI (谷口晶貴) will be interested in include: (i) 11,442,500 Shares (representing approximately 1.3% of the total number of Shares issued by our Company immediately prior to the completion of the Global Offering) held in his own name and for his own benefit; and (ii) 134,377,500 Shares (representing approximately 15% of the total number of Shares issued by our Company immediately prior to the completion of the Global Offering) held by the MT Family Trust for the benefit of his children. Mr. Masataka TANIGUCHI (谷口晶貴) is entitled to exercise the voting rights attached to the Shares held by the MT Family Trust. See “— Shareholding Structure — Taniguchi Consortium — Family trust arrangements” in this section below for details.
- (4) The 86,940,000 Shares which Mr. Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung) will be interested in include: (i) 33,580,000 Shares (representing approximately 3.7% of the total number of Shares issued by our Company immediately prior to the completion of the Global Offering) held in his own name and for his own benefit; and (ii) 53,360,000 Shares (representing approximately 6.0% of the total number of Shares issued by our Company immediately prior to the completion of the Global Offering) held by the YT Family Trust for the benefit of his children. Mr. Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung) is entitled to exercise the voting rights attached to the Shares held by the YT Family Trust. See “— Shareholding Structure — Taniguchi Consortium — Family trust arrangements” in this section below for details.
- (5) Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順) and Ms. Rika TEI (鄭理香) inherited their interests in our Company from the estate of the late Mr. Tateo TANIGUCHI (谷口建雄), their father and a brother of our Chairman in October 2014.
- (6) Shareholding percentages are approximate and subject to rounding.

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The table below shows an illustrative chart of the relationship among the members of the Taniguchi Consortium and their respective shareholding interests in our Company immediately prior to the completion of the Global Offering:



Notes:

- (1) The shareholding percentage of Mr. Tatsuo TANIGUCHI (谷口龍雄) shown above includes the Shares held in his own name and for his own benefit but excludes the Shares held by the TT Family Trust for the benefit of his children.
- (2) The shareholding percentage of Mr. Masataka TANIGUCHI (谷口晶貴) shown above includes the Shares held in his own name and for his own benefit but excludes the Shares held by the MT Family Trust for the benefit of his children.
- (3) The shareholding percentage of Mr. Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung) shown above includes the Shares held in his own name and for his own benefit but excludes the Shares held by the YT Family Trust for the benefit of his children.
- (4) Each of Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Echo Limited* (有限会社エコー), Daiki Limited* (有限会社大喜), Hokuyo Kanko Limited* (有限会社北陽観光), and KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA) is owned by the members of, and/or the family of the members of, the Taniguchi Consortium. See “— Shareholding Structure — Taniguchi Consortium” in this section above for the detailed shareholding structure of these corporate entities.
- (5) Shareholding percentages are approximate and subject to rounding.

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The shareholding percentage of each member of the Taniguchi Consortium will be diluted by the 300,000,000 newly issued Offer Shares offered under the Global Offering, representing approximately 25.1% of our total number of issued Shares immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). See “— Corporate Structure” in this section below for the shareholding and corporate structure of our Group immediately upon completion of the Global Offering.

Controlling Shareholders acting in concert

By virtue of their intricate family and shareholding relationship, each member of the Taniguchi Consortium is an associate of each other under the Listing Rules. In addition, on 9 December 2014, each member of the Taniguchi Consortium has confirmed that they have been acting in concert, and intend to continue to act in concert, in exercising their control over and voting rights in our Group. As such, each member of the Taniguchi Consortium is also a person acting in concert with each other within the meanings of the Takeovers Code. See “Relationship with our Controlling Shareholders — Controlling Shareholders acting in concert” for details.

Family trust arrangements

As part of their efforts to succeed their legacy in our Group, Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴) and Mr. Yoshihiro TEI (鄭義弘)[#] (also known as Mr. JEONG Jungwung) created the following trust arrangements for the benefit of their respective children:

- (a) *the TT Family Trust* - in October 2014, Mr. Tatsuo TANIGUCHI (谷口龍雄) transferred 180,000 Shares registered in his own name to three of his children, namely Ms. Yoshika TEI (鄭淑佳)[#] (also known as Ms. JEONG Sukka), Mr. Kousei TEI (鄭光誠)[#] (also known as Mr. CHONG Gangsong) and Mr. Kiyokazu TANIGUCHI (谷口清和) with the intention to create the TT Family Trust at a later date. On 23 October 2014, the TT Family Trust was established pursuant to a trust agreement entered into between SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) (as the trustee and assignee* (受託者)) and each of the beneficiaries (as the assignors and beneficiaries* (委託者兼受益者)), who have entered into a separate agreement with Mr. Tatsuo TANIGUCHI (谷口龍雄) to appoint him as the protector and person having the right to exercise voting rights* (議決權行使指図権者) of the TT Family Trust;
- (b) *the MT Family Trust* - in September 2014, Mr. Masataka TANIGUCHI (谷口晶貴) transferred 584,250 Shares registered in his own name to three of his children, namely Mr. Tatsunari TANIGUCHI (谷口辰成)[#] (also known as Mr. CHONG Jinsong), Mr. Takanari TANIGUCHI (谷口喆成)[#] (also known as Mr. JEONG Cheolseong) and Mr. Toshinari TANIGUCHI (谷口才成)[#] (also known as Mr. CHUNG Jaeseong) with the intention to create the MT Family Trust at a later date. On 21 October 2014, the MT Family Trust was established pursuant to a trust agreement entered into between SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) (as the trustee and assignee*

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(受託者)) and each of the beneficiaries (as the assignors and beneficiaries* (委託者兼受益者)), who have entered into a separate agreement with Mr. Masataka TANIGUCHI (谷口晶貴) to appoint him as the protector and person having the right to exercise voting rights* (議決権行使指図権者) of the MT Family Trust; and

- (c) *the YT Family Trust* - in October 2014, Mr. Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung) transferred 232,000 Shares registered in his own name to two of his children, namely Mr. Akinori TEI (鄭敬憲)[#] (also known as JEONG Kyeongheon) and Mr. Masahide TEI (鄭將英)[#] (also known as JEONG Jangyeong), with the intention to create the YT Family Trust at a later date. On 22 October 2014, the YT Family Trust was established pursuant to a trust agreement entered into between SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) (as the trustee and assignee* (受託者)) and each of the beneficiaries (as the assignors and beneficiaries* (委託者兼受益者)), who have entered into a separate agreement with Mr. Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung) to appoint him as the protector and person having the right to exercise voting rights* (議決権行使指図権者) of the YT Family Trust;

The Shares under the TT Family Trust, MT Family Trust and the YT Family Trust were transferred to and are registered under the name of SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行), a licensed trust bank* (信託銀行) in Japan, and held for the benefit of the beneficiaries. The trust Shares may not be transferred, or disposed of, by the trustee and/or the beneficiaries without the prior written consents of Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴) and Mr. Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung) (as the case may be) if such transfer or disposal would contravene the Listing Rules.

Each of the TT Family Trust, MT Family Trust and the YT Family Trust can only be terminated with the prior consent of the trustee and the beneficiaries. The proper law of the TT Family Trust, MT Family Trust and the YT Family Trust is the law of Japan and the provisions thereof are therefore subject to, and enforceable under, the laws of Japan. The terms of the trust agreements, including termination, addition, removal or exclusion of beneficiaries, variation of trust powers and appointment or removal of trustee, may only be amended with the prior consent of the trustee and the beneficiaries.

In addition, so long as the person having the right to exercise voting rights* (議決権行使指図権者) is in office, the trustee and the beneficiaries shall not interfere with the management of the business of our Group and the voting rights attached to the trust Shares.

Our Japan Legal Adviser has confirmed that the arrangements under the TT Family Trust, MT Family Trust and the YT Family Trust are in compliance with the relevant laws and regulations in Japan.

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Other Shareholders

Apart from the Taniguchi Consortium, our Company is also held by an Executive Officer, a former member of our senior management and the ESOA. The table below shows the identities of these Shareholders and their respective shareholding interests in our Company immediately prior to the completion of the Global Offering:

Name	Immediately prior to the completion of the Global Offering		Relationship (for individuals) / Shareholders and voting rights (for corporate entities)
	No. of Shares ⁽¹⁾	Approximate shareholding percentage ⁽³⁾	
Other Shareholders			
Hidenori MOROTA (諸田英模)	1,380,000	0.1%	Former Director of our Company; an Executive Officer of our Company; current director of Niraku Corporation
Tadamitsu YAMASHITA (山下忠光)	1,380,000	0.1%	Former member of our senior management; not a connected person of our Company
ESOA	61,870,000	6.9%	No shareholder ⁽²⁾ ; Mr. Takashi ENDO (遠藤孝), the president* (理事長) of the ESOA, who is not a connected person of our Company, is entitled to exercise the voting rights

Notes:

- (1) The numbers of Shares shown above have taken into account the sub-division of Shares approved by our Board on 16 March 2015, pursuant to which each issued Share of nil par value will be sub-divided into 230 Shares of nil par value with effect from 31 March 2015. See “— Corporate Structure and Development — Reorganisation” in this section below for further details.
- (2) As a partnership* (組合) established under the Civil Code, the concept of shareholding does not apply to the ESOA. Under the rules of the ESOA, the president* (理事長) of the ESOA is entitled to exercise the voting rights attached to the Shares held by the ESOA, notwithstanding that the members of the ESOA may, from time to time, give specific instructions to the said president* (理事長) on voting.
- (3) Shareholding percentages are approximate and subject to rounding.

Save for Mr. Hidenori MOROTA (諸田英模), each of the Shareholders listed above is not a connected person of our Company. Mr. Hidenori MOROTA (諸田英模) was a Director prior to 25 June 2014 and remains as an Executive Officer of our Company and a current director of our subsidiary, Niraku Corporation, and is therefore a connected person of our Company by virtue of Rule 14A.07(2) of the Listing Rules and a core connected person of our Company under Rule 1.01 of the Listing Rules. As such, the interests held by Mr. Hidenori MOROTA (諸田英模) will not be counted towards the public float of our Company upon Listing for the purpose of Rule 8.08(1)(a) of the Listing Rules.

HISTORY AND CORPORATE DEVELOPMENT

Employee Stock Ownership Association

The ESOA, established on 16 January 2001 as an employee benefit scheme for our Group's employees, is administered by a board of administrators* (理事) and chaired by a president* (理事長), who is in turn nominated and elected by the members of the ESOA. Daiwa Securities Capital Market Co., Ltd.* (大和証券株式会社) is the transfer agent of the ESOA and administers its register of members. The ESOA has the following salient features:

- (a) *Membership and contribution:* Membership of the ESOA is only open for application by all current employees of our Group. All members of the ESOA are required to make a monthly contribution of a fixed amount ranging from ¥1,000 to ¥50,000, depending on their ranking within our human resources structure. Monthly contributions are deducted directly from the members' monthly payroll. Members may also elect to make special contribution out of their employment bonus monies paid by our Group. As an employment benefit, our Group makes certain special contributions per month to each member of the ESOA. Save and except for the said special contributions, our Group and our Controlling Shareholders do not owe any obligation to the ESOA and its members.
- (b) *Entitlement rights:* Pro-rata to the aggregate amounts of each member's contribution and our Group's special contribution, the board of administrators* (理事) of the ESOA calculates and grants a certain amount of entitlement rights to the members of the ESOA. The entitlement rights confer solely a claim to payment in cash, not a right to claim or purchase Shares in our Company. None of the entitlement rights granted by the ESOA is convertible into Shares or any other form of securities in our Company.
- (c) *Subscription of new Shares:* The ESOA makes use of the monies contributed by our Group and its members to subscribe for Shares either by: (i) acquiring Shares from existing Shareholders, subject to mutual commercial agreement; (ii) trading on the Stock Exchange upon Listing, subject to all relevant requirements under the Listing Rules; or (iii) issue and allotment of new Shares, subject to all applicable laws and regulations in Hong Kong and Japan.
- (d) *Dividends:* Dividends associated with the Shares held by the ESOA are assigned to the members pro-rata to the number of entitlement rights under their names and returned to the members upon cancellation of their membership.
- (e) *Exercise of entitlement rights:* Entitlement rights under the ESOA can be exercised by: (i) voluntary cancellation of membership on the part of a member; or (ii) automatic cancellation of membership when a member ceases to be qualified as a current employee of our Group for whatever reason. Upon exercise of the entitlement rights, a member may claim a payment which is the aggregate of the exercise values of the entitlement rights and the aggregate monetary amount of contribution attributable to

HISTORY AND CORPORATE DEVELOPMENT

him/her. There is no fixed exercise value of the entitlement rights. The exercise value is determined by the board of administrators* (理事) of the ESOA from time to time. Entitlement rights held by a cancelled membership will be distributed to the remaining members pro-rata to their existing number of entitlement rights.

- (f) *Voting rights and ranking*: The president* (理事長) of the ESOA has the discretion to exercise the voting rights attached to the Shares held by the ESOA, notwithstanding that the members may from time to time give specific instructions to him on voting. The Shares held by the ESOA rank *pari passu* in all respects with the existing Shares in issue. Hence, there are no specific rights in favour of the ESOA attached to the Shares held by the ESOA.

As at the Latest Practicable Date, there were 269,000 Shares registered under the name of the ESOA, corresponding to 269,000 entitlement rights granted to the current employees of our Group. No member of the Taniguchi Consortium, Director, Chief Executive Officer, Executive Officer or core connected person of our Company is allowed to participate in the ESOA. Given that none of Mr. Takashi ENDO (遠藤孝), the current president* (理事長) of the ESOA, and the members of the ESOA is a core connected person of our Company, the Shares held by the ESOA will be counted towards the public float of our Company upon Listing for the purpose of Rule 8.08(1)(a) of the Listing Rules.

The ESOA confers entitlement to payment in cash only but not Shares or other form of securities in our Company. The exercise of the entitlement rights will not dilute the issued share capital of our Company. As such, Chapter 17 of the Listing Rules does not apply to the ESOA which, in substance, is a scheme of deferred compensation to our employees.

Apart from its interests in our Company, ESOA was also interested in approximately 6.5% of the total number of issued shares in NI, which were distributed to ESOA as a result of our Reorganisation. These interests had been repurchased by NI from the ESOA and as at the Latest Practicable Date, the ESOA had no interest in NI or the Excluded Group as a whole.

CORPORATE STRUCTURE AND DEVELOPMENT

Group companies

As at the Latest Practicable Date, our Group comprised our Company, one directly wholly-owned subsidiary and two indirectly wholly-owned subsidiaries, all of which were incorporated in Japan. Our Company was incorporated as the holding company of our Group, with Niraku Corporation conducting our primary business of pachinko hall operations and Nexia and Merrist carrying out our ancillary business functions. There was no significant shareholding change in the companies comprising our Group during the Track Record Period with the Taniguchi Consortium maintaining dominant control over our Group. Set out below is the corporate history of our Group:

HISTORY AND CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated on 10 January 2013 in Japan with a core capital* (資本金) of ¥6,600. Upon incorporation, the number of Shares authorised to be issued by our Company was 20,000,000 Shares, of which one class-A share and one common Share* (普通株式) were issued and allotted to our Chairman. Under our current articles of incorporation* (定款) (which will cease to be effective and be replaced by our Articles on the Listing Date), transfers of our Shares must be approved by our Board of Directors. Transfers of our Shares will become free of restriction or limitation and shall not require Board or Shareholders approval upon Listing.

Our Company is an investment holding company incorporated with an aim to: (i) create a holding corporate structure for our Group; and (ii) consolidate the Taniguchi Consortium's ownership of and control over our Group. On 1 April 2013, our Board of Directors approved a share swap* (株式交換) (the "**Niraku Share Swap**") with Niraku Corporation, pursuant to which our Company acquired 3,153,000 shares, 478,000 shares, 6,000 shares, 6,000 shares, 6,000 shares and 246,000 shares in Niraku Corporation, respectively, from the Taniguchi Consortium, Mr. Tateo TANIGUCHI (谷口建雄) (the late brother of our Chairman), Mr. Hidenori MOROTA (諸田英模), Mr. Hisaharu KASHIHARA (榎原久治), Mr. Tadimitsu YAMASHITA (山下忠光) and the ESOA, each being a shareholder of Niraku Corporation at that time, in consideration for which our Company issued and allotted the same number of Shares in our Company to these shareholders on a pro-rata basis.

As a result of the Niraku Share Swap: (i) Niraku Corporation became a wholly-owned subsidiary of our Company; (ii) the Taniguchi Consortium, Mr. Tateo TANIGUCHI (谷口建雄), Mr. Hidenori MOROTA (諸田英模), Mr. Hisaharu KASHIHARA (榎原久治), Mr. Tadimitsu YAMASHITA (山下忠光) and the ESOA became our Shareholders; (iii) our core capital* (資本金) was increased to ¥10 million; and (iv) our total number of issued Shares was increased to one class-A share and 3,895,001 common Shares* (普通株式).

The one class-A share held by our Chairman entitled him to certain special rights, such as veto power to the appointment and removal of Directors. On 9 December 2014, our Board resolved to cancel the one class-A share and convert it into one newly issued common Share* (普通株式), which was allotted to our Chairman on the same day. As a result, our total number of issued Shares became 3,895,002 common Shares* (普通株式). As at the Latest Practicable Date, there was no class-A share in our issued share capital and, pursuant to our Articles, our Company is not allowed to issue any other class of shares other than our common Shares* (普通株式) after the Listing.

On 1 October 2014, our Board of Directors approved ESOA's acquisitions of 6,000 Shares and 17,000 Shares (representing approximately 0.1% and 0.3% of our total number of issued Shares at that time) from Mr. Hisaharu KASHIHARA (榎原久治) and Mr. Tatsuo TANIGUCHI (谷口龍雄), respectively. The respective consideration of these acquisitions were ¥19.8 million and ¥42.5 million, calculated based on arm's length negotiation between the parties.

HISTORY AND CORPORATE DEVELOPMENT

On 22 October 2014, our Board of Directors approved the inheritance of 119,500 Shares each by Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順) and Ms. Rika TEI (鄭理香) from the estate of the late Mr. Tateo TANIGUCHI (谷口建雄) at nil consideration.

The composition of our Shareholders and their respective shareholding number and percentage have not changed since 22 October 2014, except for: (i) the sub-division of each issued Share of nil par value into 230 Shares of nil par value which will take effect on 31 March 2015; (ii) the increase of the number of Shares authorised to be issued by our Company to 2,000,000,000 Shares which take effect on 31 March 2015; (iii) the transfers of the trust Shares under the TT Family Trust, MT Family Trust and YT Family Trust as described in “— Shareholding structure — Taniguchi Consortium — Family trust arrangements” in this section above; and (iv) the cancellation and conversion of class-A share mentioned above.

Mr. Hiroshi BANNAI (坂内弘) was an external Director* (社外取締役) of our Company prior to his retirement in October 2014.

Niraku Corporation

Niraku Corporation is our principal operating subsidiary primarily engaged in the operation and management of pachinko halls. Niraku Corporation also operates a Spanish restaurant in Tokyo (東京都) under the brand “LIZARRAN” and a hotel above one of our pachinko hall in Koriyama City (郡山市), Fukushima Prefecture (福島県), both of which are our ancillary businesses and are insignificant when compared to our business and financial position as a whole. Under the articles of incorporation* (定款) of Niraku Corporation, transfer of the shares in Niraku Corporation must be approved by its board of directors.

Incorporated on 27 August 1969 by our Founder, Niraku Corporation was the operating and holding company of our Group until the incorporation of our Company. As at 1 April 2011 (being the commencement date of the Track Record Period), Niraku Corporation had a core capital* (資本金) of ¥257 million. The number of Shares authorised to be issued by Niraku Corporation was 20,000,000 shares and the total number of issued shares was 5,346,000 shares at that time. Niraku Corporation commenced its business upon incorporation in August 1969.

As at 1 April 2011 (being the commencement date of the Track Record Period), Niraku Corporation was owned as to approximately 76.6%, 13.3%, 0.4%, 0.1%, 0.1%, 0.1% and 4.6%, respectively, by the Taniguchi Consortium, Mr. Tateo TANIGUCHI (谷口建雄), Mrs. Kyoko TANIGUCHI (谷口京子) (the mother of our Chairman), Mr. Hidenori MOROTA (諸田英模), Mr. Hisaharu KASHIHARA (榎原久治), Mr. Tadamitsu YAMASHITA (山下忠光) and the ESOA. Apart from these shareholders, Niraku Corporation was also owned as to approximately 4.8% by 13 institution shareholders, which are banks, financing institutions and machine suppliers in Japan with which our Group has a long and established business relationship. None of these institutional shareholders was a core connected person of our Company, our Controlling Shareholders or each other throughout the period during which they were interested in Niraku Corporation’s shares.

HISTORY AND CORPORATE DEVELOPMENT

On 10 August 2012, the board of directors of Niraku Corporation resolved to repurchase 250,000 shares in Niraku Corporation, representing the entire interests held by the aforementioned 13 institutional shareholders at a consideration of ¥2,400 per share, calculated based on arm's length negotiation among the parties. The 250,000 repurchased shares became treasury stock* (自己株式) of Niraku Corporation, which had been cancelled by 31 March 2013. The primary objective of this share repurchase was to consolidate the ownership of Niraku Corporation as a family business.

On 1 February 2013, the board of directors of Niraku Corporation approved the acquisition of 1,040,000 Shares in aggregate from Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴) and Mr. Yoshihiro TEI (鄭義弘)[#] (also known as Mr. JEONG Jungwung), each being a member of the Taniguchi Consortium, as well as Mr. Tateo TANIGUCHI (谷口建雄) and Mrs. Kyoko TANIGUCHI (谷口京子) by our Company, at a consideration of ¥3,300 per share, calculated by an independent accountant appointed by the parties based on the valuation of Niraku Corporation. On 20 February 2013, as a further effort to streamline the ownership structure of our Group, the board of directors of Niraku Corporation resolved to repurchase an aggregate of 161,000 shares from Densho Limited* (有限会社伝承), Echo Limited* (有限会社エコー), Daiki Limited* (有限会社大喜) and Hokuyo Kanko Limited* (有限会社北陽観光), each being a member of the Taniguchi Consortium, at a consideration of ¥3,300 per share, calculated by an independent accountant appointed by the parties based on the valuation of Niraku Corporation. All repurchased shares became treasury stock* (自己株式) of Niraku Corporation, which had been cancelled by 31 March 2013. Upon completion, Niraku Corporation was owned as to approximately 63.9%, 9.7%, 21.1%, 0.1%, 0.1%, 0.1% and 5.0%, respectively, by the Taniguchi Consortium, Mr. Tateo TANIGUCHI (谷口建雄), our Company, Mr. Hidenori MOROTA (諸田英模), Mr. Hisaharu KASHIHARA (榎原久治), Mr. Tadamitsu YAMASHITA (山下忠光) and the ESOA. These changes in the shareholding of Niraku Corporation were effected in preparation for the Niraku Share Swap.

On 1 April 2013, the board of directors of Niraku Corporation approved the Niraku Share Swap and the acquisition 3,895,000 of shares in Niraku Corporation from its then existing shareholders. Taking into the account the 1,040,000 shares our Company was already interested in immediately prior to the implementation of the Niraku Share Swap, Niraku Corporation became a wholly-owned subsidiary of our Company. As a result of these restructuring steps, the total number of shares issued by Niraku Corporation was reduced to 4,935,000 shares, all of which were wholly-owned by our Company.

Niraku Corporation has remained as our wholly-owned subsidiary since 1 April 2013. Mr. Masataka TANIGUCHI (谷口晶貴) was a director of Niraku Corporation until his retirement in September 2012. Mr. Tatsuo TANIGUCHI (谷口龍雄) was also a director of Niraku Corporation until his retirement in September 2014. The current directors of Niraku Corporation are our Chairman, Mr. Hidenori MOROTA (諸田英模) (our Executive Officer) and Mr. Akinori OHISHI (大石明徳) (our Executive Officer).

HISTORY AND CORPORATE DEVELOPMENT

Nexia

Nexia is a property holding and investment company. Its property portfolio includes land and premises on which our Group operates pachinko halls, an office building for lease to third party tenants and a residential apartment building for lease to third party tenants. Under the articles of incorporation* (定款) of Nexia, transfer of the shares in Nexia must be approved by its shareholders.

Nexia was incorporated on 19 June 2009 in Japan with a core capital* (資本金) of ¥30 million. On incorporation, the number of shares authorised to be issued by Nexia was 20,000 shares. As at 1 April 2011, the commencement date of the Track Record Period, a total of 3,000 shares were issued by Nexia, which were held as to approximately 25.0%, 25.0%, 25.0%, 3.0%, 2.0%, 10.0% and 10.0%, respectively, by Hokuyo Kanko Limited* (有限会社北陽観光), Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA), Mr. Tatsuo TANIGUCHI (谷口龍雄) (each being a member of the Taniguchi Consortium), Mr. Yoshie SAKAMOTO (坂本純衛) (an independent third party), Mr. Minoru NISHINO (西野実) (an independent third party) and Nino Kensetsu Co., Ltd.* 株式会社ニイノ建設 (an independent third party). Nexia commenced business upon incorporation in 2009.

On 24 May 2012, the shareholders of Nexia have resolved to repurchase 300 shares in Nexia, representing approximately 10% of the total number of Shares issued by Nexia at that time, from Nino Kensetsu Co., Ltd.* (株式会社ニイノ建設), an independent third party, at an aggregate consideration of ¥12 million, calculated based on the valuation of Nexia conducted by an independent valuer. The 300 acquired shares became treasury stock* (自己株式) of Nexia, which had been cancelled by 31 March 2013. The primary objective of this share repurchase was to consolidate the ownership of Nexia by the Taniguchi Consortium.

On 24 May 2012, the shareholders of Nexia approved the acquisition of 300 shares, representing approximately 10% of the total number of shares issued by Nexia at that time, by KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA) from Mr. Minoru NISHINO (西野実), an independent third party. The consideration was ¥12 million in aggregate, calculated based on the valuation of Nexia conducted by an independent valuer.

On 13 June 2014, the shareholders of Nexia approved the acquisition of 60 shares in Nexia, representing approximately 2.2% of the total number of shares issued by Nexia at that time, by Mr. Tatsuo TANIGUCHI (谷口龍雄) from Mr. Yoshie SAKAMOTO (坂本純衛) (an independent third party). The consideration was ¥3 million in aggregate, calculated based on arm's length negotiation of the parties. Upon completion, Nexia became collectively wholly-owned by the members of the Taniguchi Consortium.

As part of our Reorganisation, our Company acquired all issued shares in Nexia because (i) the activities of Nexia are directly related to our core business of pachinko and pachislot hall operations; and (ii) Nexia was commonly controlled by the members of the Taniguchi Consortium.

HISTORY AND CORPORATE DEVELOPMENT

On 9 December 2014, each member of the Taniguchi Consortium has confirmed that they have been acting in concert, and intend to continue to act in concert, in exercising their control over and voting rights in Nexia. See “Relationship with our Controlling Shareholders — Controlling Shareholders acting in concert” for details.

Mr. Tatsuo TANIGUCHI (谷口龍雄) has remained as a director of Nexia throughout the Track Record Period and thereafter.

Merrist

Merrist is primarily engaged in the employment of disabled people to provide gardening, cleaning and general management services in our pachinko halls. Under the Act on Employment Promotion etc. of Persons with Disabilities* (障害者の雇用の促進等に関する法律) of Japan (Act No. 123 of 1960), a minimum of 2% of a private enterprise in Japan with 50 or more employees is required to be persons with disabilities. Under the articles of incorporation* (定款) of Merrist, transfer of the shares in Merrist must be approved by its shareholders.

Merrist was incorporated on 24 February 2010 with a core capital* (資本金) of ¥5 million. The number of shares authorised to be issued by Merrist was 2,500 shares, of which 500 shares were issued and allotted to Niraku Corporation. Merrist has remained as a wholly-owned subsidiary of Nexia since its incorporation. Merrist commenced business upon incorporation in 2010.

Mr. Hideyuki SUETSUGU (末次秀行), a former member of our senior management who is not a connected person of our Company, was a director of Merrist from 24 February 2010 to 3 September 2012. Our Chairman is now the sole director of Merrist.

Dissolved entity

Jin Corporation* (株式会社仁) (“*Jin Corporation*”) was a stock company* (株式会社) incorporated in Japan with limited liability on 15 June 2012. The primary business activity was the operation of a pachinko hall in Hanyu City (羽生市), Saitama Prefecture (埼玉県). Jin Corporation was incorporated as a wholly-owned subsidiary of Asuka Corporation* (株式会社アスカ), an independent third party as a result of a company split* (分割) to effect the acquisition of the said pachinko hall by our Group. On 15 June 2012, Niraku acquired the entire number of issued shares in Jin Corporation from Asuka Corporation* (株式会社アスカ) at a consideration of ¥820 million, calculated based on arm’s length negotiation of the parties.

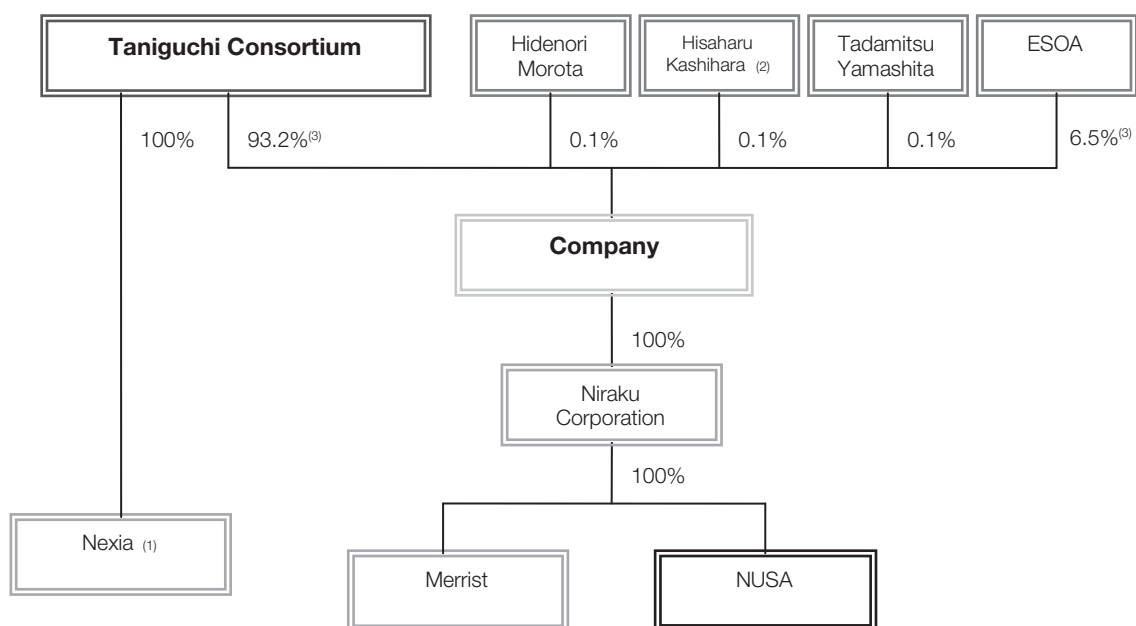
To consolidate the pachinko and pachislot hall operations functions of our Group into Niraku Corporation, we effected an absorption-type merger* (吸収合併) under the Japan Companies Act between Niraku Corporation (as the surviving entity) and Jin Corporation (as the absorbed entity) on 1 October 2013. As at the Latest Practicable Date, Jin Corporation had been dissolved and its registration had been cancelled. Our Japan Legal Adviser has confirmed that, as provided under the Japan Companies Act, all assets, liabilities, contractual rights and obligations had been transferred to Niraku Corporation. Customers of Jin Corporation are now served by our Group.

HISTORY AND CORPORATE DEVELOPMENT

Our Directors have confirmed that there is no matter with respect to the dissolution of Jin Corporation that would otherwise need to be brought to the attention of the Stock Exchange and our potential investors.

Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. The chart below shows the simplified shareholding and corporate structure of our Group immediately prior to the implementation of our Reorganisation:



Notes:

- (1) Nexia was owned as to approximately 27.8%, 27.8%, 27.8%, 11.1% and 5.5%, respectively, by Jukki Limited*有限会社十起, Densho Limited*(有限会社伝承), Hokuyo Kanko Limited*(有限会社北陽観光), KAWASHIMA Co., Ltd.*(株式会社KAWASHIMA) and Mr. Tatsuo TANIGUCHI (谷口龍雄), each being a member of the Taniguchi Consortium.
- (2) Mr. Hisaharu KASHIHARA (榎原久治) is a former member of our senior management who is not a connected person of our Company. He is no longer a Shareholder of our Company. Our Board of Directors approved the transfer of his entire shareholding interests in our Company to the ESOA on 1 October 2014.
- (3) Our Board of Directors approved the transfer of 17,000 Shares (representing approximately 0.3% of our total number of issued Shares at that time) from Mr. Tatsuo TANIGUCHI (谷口龍雄) to the ESOA on 1 October 2014.
- (4) Shareholding percentages are approximate and subject to rounding.

HISTORY AND CORPORATE DEVELOPMENT

Our Reorganisation involved the following steps:

Company split

On 17 September 2014, our Company effected an incorporation-type company split* (新設分割) (the “**Company Split**”) pursuant to the Japan Companies Act. The primary aim of the Company Split was to: (i) consolidate the business and assets of, and incidental to, our Group’s pachinko and pachislot hall operations under our Company; and (ii) establish the Excluded Group as the holding entities of the prospective private business ventures of our Controlling Shareholders.

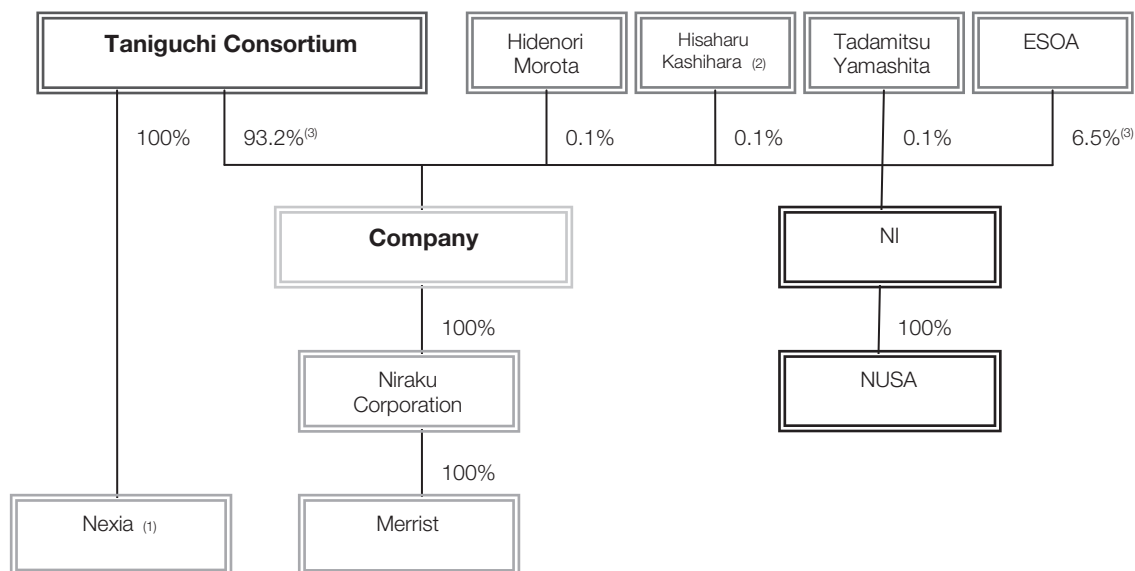
The Company Split was effected as follows:

- (i) **incorporation of NI**: NI was incorporated in Japan on 17 September 2014 to serve as the holding entity of the Excluded Group and the prospective private business ventures of the Taniguchi Consortium that are unrelated to our core business of pachinko and pachislot hall operations.
- (ii) **transfer of tangible assets to NI**: as part of the Company Split, we on 17 September 2014 transferred certain tangible assets totalling ¥1,110 million, which, among others, included the entire issued stock of NUSA. No fixed asset, liability, contractual obligation and employee was transferred to NI as part of the Company Split.
- (iii) **Distribution of the shares in NI to our Shareholders**: as part of the Company Split, our Company on 17 September 2014 declared and distributed a distribution in specie* (配当) out of our surplus* (剰余金) by way of distributing 3,895,002 shares in NI, representing our entire number of issued shares, to our Shareholders whose names appear on our Share Register on 11 September 2014.

Each holder of the common Shares* (普通株式) of our Company received shares in NI in an amount equivalent to the number of common Shares* (普通株式) they held as at 11 September 2014. Given that there was only one class of shares in the share capital of NI, our Chairman, who held one class-A share in our Company as at 11 September 2014, received one share in NI. As a result, all existing Shareholders as at 11 September 2014 became the shareholders of NI in proportion to the number of Shares they held in our Company as at 11 September 2014.

HISTORY AND CORPORATE DEVELOPMENT

The Company Split was filed with the Legal Affairs Bureau* (法務局) of Japan on 17 September 2014 and completed and became effective on the same day. The table below shows the simplified shareholding and corporate structure of our Group immediately upon completion of the Company Split:



Notes:

- (1) Nexia was owned as to approximately 27.8%, 27.8%, 27.8%, 11.1% and 5.5%, respectively, by Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Hokuyo Kanko Limited* (有限会社北陽観光), KAWASHIMA Co., Ltd.*(株式会社KAWASHIMA) and Mr. Tatsuo TANIGUCHI (谷口龍雄), each being a member of the Taniguchi Consortium.
- (2) Mr. Hisaharu KASHIHARA (榎原久治) is a former member of our senior management who is not a connected person of our Company. He is no longer a Shareholder of our Company. Our Board of Directors approved the transfer of his entire shareholding interests in our Company to the ESOA on 1 October 2014.
- (3) Our Board of Directors approved the transfer of 17,000 Shares (representing approximately 0.3% of our total number of issued Shares at that time) from Mr. Tatsuo TANIGUCHI (谷口龍雄) to the ESOA on 1 October 2014.
- (4) Shareholding percentages are approximate and subject to rounding.

Acquisition of the Nakano Property

Immediately prior to the implementation of our Reorganisation, our Chairman, Mr. Tatsuo TANIGUCHI (谷口龍雄) and Mr. Masataka TANIGUCHI (谷口晶貴) were the joint owners of a piece of land and the premises thereon (together, the “**Nakano Property**”) located in Nakano-ku (中野区), Tokyo (東京都), on which we operate one of our pachinko halls.

HISTORY AND CORPORATE DEVELOPMENT

On 9 September 2014, Niraku Corporation acquired the Nakano Property from our Chairman, Mr. Tatsuo TANIGUCHI (谷口龍雄) and Mr. Masataka TANIGUCHI (谷口晶貴) in consideration for ¥382 million in cash. The consideration was based on the valuation of the Nakano Property conducted by an independent valuer.

Acquisition of Nexia

Immediately prior to the implementation of our Reorganisation, Nexia was owned as to approximately 27.8%, 27.8%, 27.8%, 11.1% and 5.5%, respectively, by Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Hokuyo Kanko Limited* (有限会社北陽観光), KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA) and Mr. Tatsuo TANIGUCHI (谷口龍雄), each being a member of the Taniguchi Consortium.

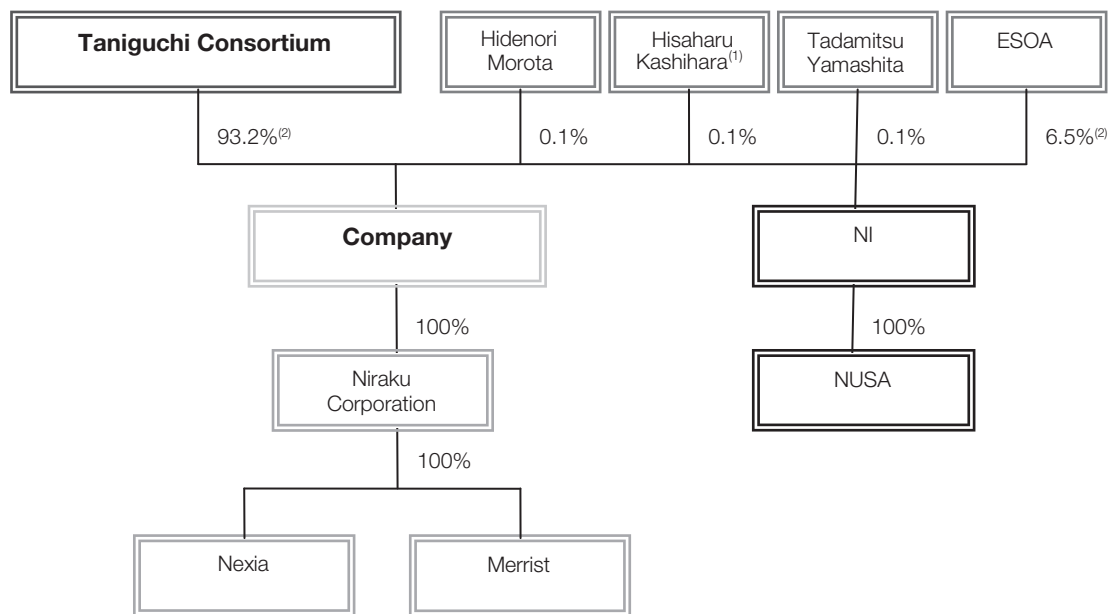
On 29 September 2014, Nexia acquired an aggregate of 2,550 shares in Nexia from Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Hokuyo Kanko Limited* (有限会社北陽観光) and KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA) in consideration for ¥497,344,350 in aggregate. The consideration was calculated based on the valuation of Nexia conducted by an independent property valuer. The 2,550 shares became treasury stock* (自己株式) in the capital of Nexia.

On 29 September 2014, Niraku Corporation acquired 150 shares in Nexia from Mr. Tatsuo TANIGUCHI (谷口龍雄) in consideration for ¥29,255,550. The consideration was calculated based on the valuation of Nexia conducted by an independent valuer. On 30 September 2014, Nexia cancelled the 2,550 treasury stock* (自己株式) in its capital, as a result of which Nexia became an indirectly wholly-owned subsidiary of our Company.

Except for our Reorganisation, we have not conducted any acquisition, disposal and/or merger that is considered material by us in terms of the amount of consideration paid/received on the assets, revenue and profit contribution of the target throughout our operating history.

HISTORY AND CORPORATE DEVELOPMENT

Our Reorganisation was completed on 30 September 2014. Our Japan Legal Adviser has confirmed that: (i) all steps of our Reorganisation have been properly and legally completed and settled in compliance with the relevant laws and regulations in Japan; and (ii) any required approvals from and registrations with the relevant Japan authorities have been duly obtained and completed. The chart below shows the simplified shareholding and corporate structure of our Group and the Excluded Group immediately upon completion of our Reorganisation:



Notes:

- (1) Mr. Hisaharu KASHIHARA (榎原久治) is a former member of our senior management who is not a connected person of our Company. He is no longer a Shareholder of our Company. Our Board of Directors approved the transfer of his entire shareholding interests in our Company to the ESOA on 1 October 2014.
- (2) Our Board of Directors approved the transfer of 17,000 Shares (representing approximately 0.3% of our total number of issued Shares at that time) from Mr. Tatsuo TANIGUCHI (谷口龍雄) to the ESOA on 1 October 2014.
- (3) Shareholding percentages are approximate and subject to rounding.

Companies excluded from our Reorganisation

NI and NUSA, the current and prospective principal business of which is clearly delineated from our pachinko and pachislot hall operations, were excluded from our Group as a result of our Reorganisation. See “Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders – No competition and clear delineation of business” for details of the current and prospective business activities of NI and NUSA and the reasons for excluding these companies from our Group.

HISTORY AND CORPORATE DEVELOPMENT

Further changes to our capital structure

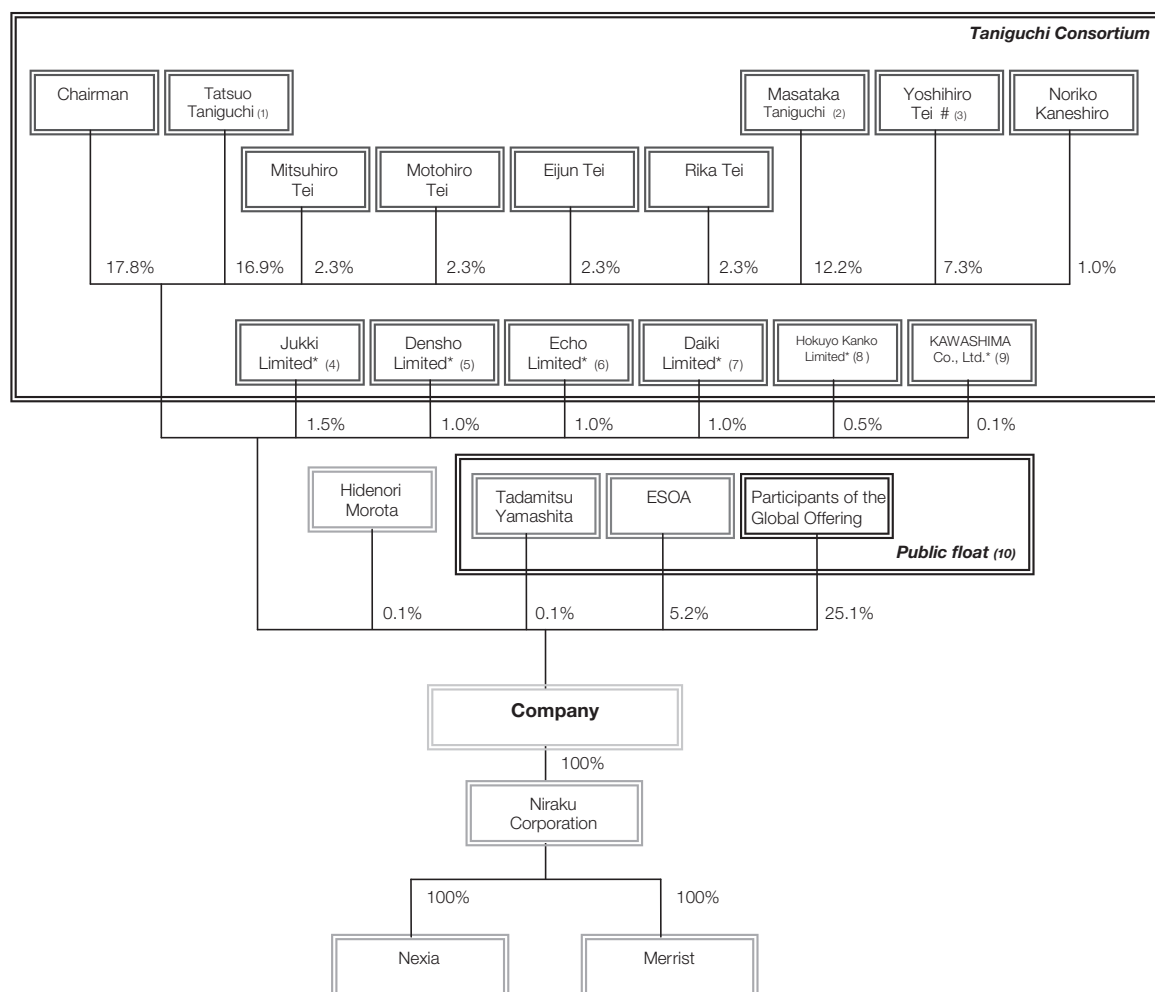
On 16 March 2015, our Board has resolved that: (i) each issued Share of nil par value be sub-divided into 230 Shares of nil par value with effect from 31 March 2015 so that our total number of issued Shares will increase from 3,895,002 Shares to 895,850,460 Shares; and (ii) for the purpose of such sub-division, the number of Shares authorised to be issued by our Company be increased from 20,000,000 Shares to 2,000,000,000 Shares with effect from 31 March 2015.

No Pre-IPO investment

There was no pre-IPO investor to our Group before and after our Reorganisation within the meanings of the Listing Rules.

CORPORATE STRUCTURE

The chart below shows the shareholding and corporate structure of our Group immediately upon completion of the Global Offering:



HISTORY AND CORPORATE DEVELOPMENT

Notes:

- (1) The shareholding percentage of Mr. Tatsuo TANIGUCHI (谷口龍雄) shown above includes 13.5% held in his own name and for his own benefit, and 3.4% held by the TT Family Trust, to which he is entitled to exercise the voting rights attached.
- (2) The shareholding percentage of Mr. Masataka TANIGUCHI (谷口晶貴) shown above includes 1.0% held in his own name and for his own benefit, and 11.2% held by the MT Family Trust, to which he is entitled to exercise the voting rights attached.
- (3) The shareholding percentage of Mr. Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung) shown above includes 2.8% held in his own name and for his own benefit, and 4.5% held by the YT Family Trust, to which he is entitled to exercise the voting rights attached.
- (4) Jukki Limited*(有限会社十起) is collectively wholly-owned by the children of Mr. Tatsuo TANIGUCHI (谷口龍雄), who is entitled to exercise the voting rights as its sole director.
- (5) Densho Limited*(有限会社伝承) is collectively wholly-owned by the children of our Chairman, who is entitled to exercise the voting rights as its sole director.
- (6) Echo Limited*(有限会社エコー) is collectively wholly-owned by the nephews of our Chairman. Mr. Mitsuhiro TEI (鄭允碩) is entitled to exercise the voting rights as its sole director.
- (7) Daiki Limited*(有限会社大喜) is collectively wholly-owned by the children of Mr. Yoshihiro TEI (鄭義弘)[#] (also known as Mr. JEONG Jungwung), who is entitled to exercise the voting rights as its sole director.
- (8) Hokuyo Kanko Limited*(有限会社北陽観光) is collectively wholly-owned by the children of Mr. Masataka TANIGUCHI (谷口晶貴), who is entitled to exercise the voting rights as its sole director.
- (9) KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA) is held as to approximately 33.3%, 33.3% and 33.3%, respectively, by our Chairman, Mr. Masataka TANIGUCHI (谷口晶貴) and Tatsuo TANIGUCHI (谷口龍雄), who is entitled to exercise the voting rights as its sole director.
- (10) Mr. Tadimitsu YAMASHITA (山下忠光), Mr. Takashi ENDO (遠藤孝) (the current president* (理事長) of the ESOA who is entitled to exercise the voting rights attached to the Shares held by the ESOA) and each member of the ESOA is not a core connected person of our Company under the Listing Rules. Hence, the Shares held by Mr. Tadimitsu YAMASHITA (山下忠光) and the ESOA are counted towards the public float of our Company for the purpose of Rule 8.08(1)(a) of the Listing Rules.
- (11) Shareholding percentages are approximate and subject to rounding.