

OUR HISTORY AND ORIGIN

We have over four decades of operating history. We are the second largest pachinko hall operator in Japan in terms of the total value of pachinko balls and pachislot tokens rented in 2010 and the largest in terms of number of halls according to Yano Research. Our network of pachinko halls principally operates under our *DYNAM* (ダイナム), *Yuttari Kan* (ゆったり館) and *Shinrai no Mori* (信頼の森) brands. Over the course of our business history, we have been continuously adapting to the changing preferences of our pachinko players.

Our origins date back to 1967 when Sawa Shoji Co., Ltd. was established in Japan by Mr. Yohei SATO (佐藤洋平), the father of Mr. Sato. Sawa Shoji Co., Ltd. was wholly-owned by Mr. Yohei SATO and was the predecessor of Dynam, which was, and remains to be, the holding company of the majority of our pachinko hall operations. The name “Sawa” was derived by combining the Japanese characters “sa 佐” (from Sato 佐藤) and “wa 和” (*harmony*).

Our four decades of pachinko hall operations began with our first two pachinko halls in Kameari (亀有) and Kanamachi (金町), Tokyo, which commenced business in July 1967. In 1970, Mr. Sato and the Sato Family Members succeeded the interests in Sawa Shoji Co., Ltd. from Mr. Yohei SATO. In 1978, Mr. Sato was named as the president and representative director (*daihyo torishimariyaku* 代表取締役) of Sawa Shoji Co., Ltd. and our pachinko hall operations have since been under his leadership and direction.

In 1985, the revision of the Amusement Business Law, which standardised the licensing regime of the pachinko industry across Japan, provided a favourable environment for the development of a nationwide pachinko chain in Japan. The expansion of our pachinko hall operation came in 1987 when Sawa Shoji Co., Ltd. was renamed as DYNAM Co., Ltd.* (株式会社ダイナム) which, according to Mr. Sato, was part of his plan to transform his family business into a nationwide operation. The name *DYNAM* (ダイナム) is an abbreviation of *Dynamic Amusement*, emphasising our pachinko halls as an exciting entertainment option for our customers. In 1989, the opening of our pachinko hall in Shibata (新発田), Niigata Prefecture (新潟県) marked the beginning of our expansion beyond the Tokyo metropolitan area. We extended our footprint beyond the Kanto (関東) region in 1992 by establishing our first hall on the northern island of Hokkaido (北海道) in Iwamizawa (岩見沢). Subsequently, we expanded into Kyushu (九州) in 2001 and Shikoku (四国) in 2002, upon which we had established presence in four of the major regions in Japan.

We developed our *Yuttari Kan* (ゆったり館), and *Shinrai no Mori* (信頼の森) brands in the 2000s. While maintaining our appeal to traditional players we have established our new brands to emphasise the entertainment aspect of pachinko halls. Our first *Yuttari Kan* (ゆったり館) and *Shinrai no Mori* (信頼の森) halls opened in 2007 and 2009, respectively, featuring low playing cost game machines, and a wider selection of general prizes.

In particular, our *Shinrai no Mori* (信頼の森) brand is a new concept in the pachinko industry. *Shinrai no Mori* (信頼の森) came from two Japanese words, “*Shinrai* 信頼” (*trust*) and “*Mori* 森” (*forest*). By setting up designated closed-off smoking areas, air purifiers and segregated relaxation areas, we are committed to creating an environment with high air quality at our *Shinrai no Mori* (信頼の森) pachinko halls, directly addressing the feedback of potential pachinko players who are generally discouraged by high noise levels and the possibility of passive smoking at pachinko halls, according to our own market research. Our new brands have been established to attract a more diverse customer base. In 2009, the number of our pachinko halls had reached 300.

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To further expand our business, we acquired 100% interests in three regional pachinko hall operators in 2009 and 2010, namely Cabin Plaza, Daikokuten, and Okuwa Japan, adding to our network eight pachinko halls in Fukushima (福島県), Yamanashi (山梨県), Mie (三重県) and Aichi (愛知県) prefectures which were previously under served by our network. These pachinko halls operate under the brands *Cabin Plaza* (キャビンプラザ) and *Yasumi Jikan* (やすみ時間). Currently, Cabin Plaza operates four pachinko halls in total. Two are traditional halls operating under the *Cabin Plaza* (キャビンプラザ) brand, and two are *Yuttari Kan* halls operating under our *Cabin Plaza* (キャビンプラザ) and *Yasumi Jikan* (やすみ時間) brands, respectively. Daikokuten currently operates two pachinko halls and Okuwa Japan operates three pachinko halls, all of which are *Yuttari Kan* halls operating under our *Yasumi Jikan* (やすみ時間) brand.

Under the leadership of Mr. Sato, our pachinko operations have expanded from two pachinko halls in Tokyo in 1970 to 355 halls in 46 prefectures across Japan, as at 31 March 2012.

Key business milestones

The key milestones of the business development of our Group are:

Year	Events
1967	Mr. Yohei SATO founded Sawa Shoji Co., Ltd. in Tokyo, Japan Our pachinko hall operations began as we opened our first halls in Kameari (亀有) and Kanamachi (金町), Tokyo
1970	Mr. Sato succeeded his interests in Sawa Shoji Co., Ltd. from Mr. Yohei SATO
1978	Mr. Sato took control of the business operation of Sawa Shoji Co., Ltd. and became its president and representative director (<i>daihyo torishimariyaku</i> 代表取締役)
1987	Sawa Shoji Co., Ltd. was renamed as DYNAM Co., Ltd.* (株式会社ダイナム)
1989	Our first suburban pachinko hall opened in Shibata (新発田), Niigata Prefecture (新潟県)
1992	Our first hall in Hokkaido (北海道) region opened in Iwamizawa (岩見沢)
1994	Our first pachinko hall built primarily with wooden materials opened in Ebetsu (江別), Hokkaido (北海道), as part of our strategy to rationalise the construction and development costs associated with our expansion
2001	The number of pachinko halls in our network reached 100 as we opened a new hall in Takaoka (高岡), Toyama Prefecture (富山県) Our first hall in Kyushu (九州) region opened in Miyakonojo (都城), Miyazaki Prefecture (宮崎県)
2002	Our first hall in Shikoku (四国) region opened in Noichi (野市), Kochi Prefecture (高知県), upon which we achieved a presence in four of the major regions in Japan
2004	The number of our pachinko halls reached 200 as we opened a new hall in Yamaguchi-Onoda (山口小野田), Yamaguchi Prefecture (山口県)

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<u>Year</u>	<u>Events</u>
2007	We began to actively promote lower-priced games and a wider selection of general prizes under our <i>Yuttari Kan</i> (ゆったり館) brand. Our first pachinko hall operating under our <i>Yuttari Kan</i> (ゆったり館) brand opened in Ebetsu (江別), Hokkaido (北海道)
2008	The number of our <i>Yuttari Kan</i> (ゆったり館) halls exceeded 100 upon the opening of a pachinko hall in Uekicho (植木町), Kumamoto Prefecture (熊本県)
2009	We launched our first <i>Shinrai no Mori</i> (信頼の森) pachinko hall in Kita-Akita (北秋田), Akita Prefecture (秋田県) We acquired Cabin Plaza and Daikokuten, adding six pachinko halls in Fukushima (福島県) and Yamanashi (山梨県) Prefectures
2010	We acquired Okuwa Japan, adding two pachinko halls in Mie (三重県) and Aichi (愛知県) Prefectures

OUR GROUP COMPANIES

Our Company was incorporated in Japan on 20 September 2011 and has ten directly wholly-owned subsidiaries and one indirectly wholly-owned subsidiary. Prior to our incorporation and the implementation of our Reorganisation, DYH was the holding company of our subsidiaries and our business.

Our predecessor

DYH

DYH is our predecessor and was, prior to our Reorganisation, the holding company of our eleven wholly-owned subsidiaries. DYH was incorporated in Japan as a limited company (*yugen-gaisha* 有限会社) under the name of Rich-O Co., Ltd. on 15 December 1987 and was subsequently reorganised into a stock company (*kabushiki-gaisha* 株式会社) on 11 December 2003.

DYH was Mr. Sato's personal asset management company until the implementation of the 2006 Restructuring in June 2006, whereby DYH became the holding company of our Group. In September 2011, in preparation for the Listing, DYH underwent our Reorganisation, as result of which our Group was consolidated into our Company. See "Our corporate development" in this section below for the details of our 2006 Restructuring and our Reorganisation.

DYH does not form part of our Group.

Our for-profit subsidiaries

Dynam

Dynam is our principal wholly-owned subsidiary which is principally engaged in the operation of pachinko halls.

Dynam was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) in Japan under the name of Sawa Shoji Co., Ltd. on 25 July 1967. As at the date of this Prospectus, Dynam has an issued share capital of ¥5,000,000,000, which represented 32,556,718 shares of nil par value and the number of shares authorised to be issued by Dynam is 130,000,000 shares.

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As at the date of incorporation, Dynam was wholly-owned by Mr. Yohei SATO, the father of Mr. Sato, who subsequently bequeathed his interests to Mr. Sato and the Sato Family Members. Throughout its corporate history, Dynam has expanded its share capital and number of shareholders by numerous rights issues to existing shareholders and issue and allotment of new shares to new shareholders, which include our present Institutional Shareholders, Director Shareholders and Employee Shareholders. Details of Dynam's corporate history is set out under the paragraphs headed "Statutory and General Information — A. Further Information about our Company — 3. Changes in the share capital of our subsidiaries" in Appendix V to this Prospectus.

Dynam was the holding company of our Group until the implementation of the 2006 Restructuring, whereby our Group was consolidated into DYH. In preparation for the Listing, DYH transferred its entire interests in Dynam to our Company pursuant to our Reorganisation, making Dynam a directly wholly-owned subsidiary of our Company. Dynam does not hold any subsidiaries within our Group.

Dynam Data

Dynam Data is a directly wholly-owned subsidiary of our Company which is principally engaged in the provision of accounting and payroll administrative services to members of our Group.

Dynam Data was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 31 October 2003. As at the date of this Prospectus, Dynam Data has an issued share capital of ¥10,000,000, which represented 200 shares of nil par value and the number of shares authorised to be issued by Dynam Data is 1,600 shares.

Dynam Data was an indirectly wholly-owned subsidiary of Dynam until the implementation of the 2006 Restructuring, whereby Dynam Data was consolidated into DYH. In preparation for the Listing, DYH transferred its entire interests in Dynam Data to our Company pursuant to our Reorganisation, making Dynam Data a directly wholly-owned subsidiary of our Company.

Dynam Land

Dynam Land is a directly wholly-owned subsidiary of our Company which is principally engaged in the provision of property and building management services to members of our Group.

Dynam Land was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 31 October 2003. As at the date of this Prospectus, Dynam Land has an issued share capital of ¥1,020,000,000, which represented 2,400 shares of nil par value and the number of shares authorised to be issued by Dynam Land is 4,000 shares.

Dynam Land was an indirectly wholly-owned subsidiary of Dynam until the implementation of the 2006 Restructuring, whereby Dynam Land was consolidated into DYH. In preparation for the Listing, DYH transferred its entire interests in Dynam Land to our Company pursuant to our Reorganisation, making Dynam Land a directly wholly-owned subsidiary of our Company.

P Trading

P Trading is a directly wholly-owned subsidiary of our Company which is principally engaged in, through Kanto Daido, the sourcing, trading and disposal of our pachinko and pachislot game machines. P Trading's role is limited to liaison and communication with machine suppliers, dealers and pachinko hall operators. The actual sourcing, trading and disposal of

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such machines is conducted through Kanto Daido, which is a holder of a registration certificates from the Amusement-Related Business Association and a permit for dealing in second hand goods issued by the Prefectural Public Safety Commission. As P Trading does not directly sell or purchase any pachinko or pachislot machines, our Japan Legal Adviser has confirmed that neither registration certificate(s) nor permits are required under Japanese law for P Trading to conduct its business activities.

P Trading was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 1 July 2010. As at the date of this Prospectus, P Trading has an issued share capital of ¥30,000,000, which represented 600 shares of nil par value and the number of shares authorised to be issued by P Trading is 6,000 shares.

P Trading was a directly wholly-owned subsidiary of DYH. In preparation for the Listing, DYH transferred its entire interests in P Trading to our Company pursuant to our Reorganisation, making P Trading a directly wholly-owned subsidiary of our Company.

Dynam Advertisement

Dynam Advertisement is a directly wholly-owned subsidiary of our Company which is principally engaged in the marketing, advertisement planning and public relations affairs of our Group. On an as-required basis, Dynam Advertisement also provides marketing services to members of the Remaining DYH Group.

Dynam Advertisement was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 1 July 2010. As at the date of this Prospectus, Dynam Advertisement has an issued share capital of ¥30,000,000, which represented 600 shares of nil par value and the number of shares authorised to be issued by P Trading is 6,000 shares.

Dynam Advertisement was a directly wholly-owned subsidiary of DYH. In preparation for the Listing, DYH transferred its entire interests in Dynam Advertisement to our Company pursuant to our Reorganisation, making Dynam Advertisement a directly wholly-owned subsidiary of our Company.

Shinrainomori

Shinrainomori is a directly wholly-owned subsidiary of our Company, the main business objective of which is the development of any franchise chain under our *Shinrai no Mori* (信頼の森) brand. We have not commenced the development of any franchise chain under our *Shinrai no Mori* (信頼の森) brand since the establishment of Shinrainomori in 2008 as our *Shinrai no Mori* (信頼の森) chain is still in a relatively early stage of development. Currently, we do not have any plan to do so in the foreseeable future, and Shinrainomori is now a dormant company with no business operation.

Shinrainomori was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 3 December 2008. As at the date of this Prospectus, Shinrainomori has an issued share capital of ¥10,000,000, which represented 200 shares of nil par value and the number of shares authorised to be issued by Shinrainomori is 10,000 shares.

Shinrainomori was a directly wholly-owned subsidiary of DYH. In preparation for the Listing, DYH transferred its entire interests in Shinrainomori to our Company pursuant to our Reorganisation, making Shinrainomori a directly wholly-owned subsidiary of our Company.

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Kanto Daido

Kanto Daido is an indirectly wholly-owned subsidiary of our Company (through P Trading) which is principally engaged in the trading of second-hand pachinko and pachislot game machines.

Kanto Daido was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 22 January 1992. As at the date of this Prospectus, Kanto Daido has an issued share capital of ¥50,000,000, which represented 1,300 shares of nil par value and the number of shares authorised to be issued by Kanto Daido is 2,000 shares.

Kanto Daido was acquired by our Group pursuant to an equity transfer agreement dated 1 July 2008, whereby Mr. Kosuke OKA (岡孝亮) transferred his entire interests in Kanto Daido to P Leasing, a wholly-owned subsidiary of DYH, at a consideration of ¥20 million, equivalent to the net asset value of Kanto Daido at that time. In preparation for the Listing, P Leasing transferred its entire interests in Kanto Daido to P Trading pursuant to our Reorganisation, making Kanto Daido an indirectly wholly-owned subsidiary of our Company.

Cabin Plaza

Cabin Plaza is a directly wholly-owned subsidiary of our Company which is principally engaged in the operation of three pachinko halls in Fukushima prefecture (福島県), which operates under the brand name *Cabin Plaza* (キャビンプラザ), as well as one pachinko hall located in Shizuoka prefecture (静岡県), operating under the brand name *Yasumi Jikan* (やすみ時間).

Cabin Plaza was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 25 May 1988. As at the date of this Prospectus, Cabin Plaza has an issued share capital of ¥10,000,000, which represented 200 shares of nil par value and the number of shares authorised to be issued by Cabin Plaza is 2,000 shares.

Cabin Plaza was acquired by our Group pursuant to an equity transfer agreement dated 1 April 2009, whereby DYH agreed to purchase, and Mr. Sang-gon KIM (金相坤) and Mrs. Kung San BUN (文君仙) agreed to sell, the entire issued share capital of Cabin Plaza at a consideration of ¥1 billion. The consideration was calculated at a price of ¥5 million per share with reference to the then net asset value of Cabin Plaza. In preparation for the Listing, DYH transferred its entire interests in Cabin Plaza to our Company pursuant to our Reorganisation, making Cabin Plaza a directly wholly-owned subsidiary of our Company.

Daikokuten

Daikokuten is a directly wholly-owned subsidiary of our Company which is principally engaged in the operation of two pachinko halls in Yamanashi prefecture (山梨県) operating under the brand name *Yasumi Jikan* (やすみ時間).

Daikokuten was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 12 March 1977. As at the date of this Prospectus, Daikokuten has an issued share capital of ¥95,000,000, which represented 37,000 shares of nil par value and the number of shares authorised to be issued by Daikokuten is 64,000 shares.

Daikokuten was acquired by our Group pursuant to an equity transfer agreement dated 1 December 2009, whereby DYH agreed to purchase, and Ichiroku Shoji Co., Ltd.* (株式会社一六商事) agreed to sell, the entire issued share capital of Daikokuten at a consideration of approximately ¥350 million. The consideration was calculated with reference to the then net

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asset value of Daikokuten. In preparation for the Listing, DYH transferred its entire interests in Daikokuten to our Company pursuant to our Reorganisation, making Daikokuten a directly wholly-owned subsidiary of our Company.

Okuwa Japan

Okuwa Japan is a directly wholly-owned subsidiary of our Company which is principally engaged in the operation of three pachinko halls in Mie (三重県) and Aichi (愛知県) prefectures operating under the brand name *Yasumi Jikan* (やすみ時間).

Okuwa Japan was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) on 3 July 1996. As at the date of this Prospectus, Okuwa Japan has an issued share capital of ¥200,000,000, which represented 7,400 shares of nil par value and the number of shares authorised to be issued by Okuwa Japan is 10,000 shares.

Okuwa Japan was acquired by our Group pursuant to an equity transfer agreement dated 1 June 2010, whereby DYH agreed to purchase, and Mr. Atsushi OKUWA (大桑淳) and Mrs. Satomi OKUWA (大桑里美) agreed to sell, the entire issued share capital of Okuwa Japan at a consideration of approximately ¥30 million. The consideration was calculated with reference to the net asset value of Okuwa Japan as at 31 May 2010. In preparation for the Listing, DYH transferred its entire interests in Okuwa Japan to our Company pursuant to our Reorganisation, making Okuwa Japan a directly wholly-owned subsidiary of our Company.

Our Directors confirm that all of the acquisitions and investments we made during the Track Record Period were not entered into with any connected person of our Group. The consideration in each of the acquisitions and investments was determined on an arm's length basis. The acquisitions of the share capital in each of Cabin Plaza, Daikokuten, Okuwa Japan and Kanto Daido complied with all applicable laws and regulations in Japan. As confirmed by our Japan Legal Adviser, we were not required under Japanese law to obtain any prior government or regulatory approvals before making these acquisitions.

Our non-profit subsidiary undertaking

Shinrainomori Association

Shinrainomori Association is a general incorporated association (*ippan shadan houjin* 一般社団法人) organised under the GIA/GIF Law in Japan, which was founded by Mr. Sato, our Chief Executive Officer, chairman of our Board and executive Director, on 3 December 2008. Under the GIA/GIF law, Shinrainomori Association is a non-profit organisation which is prohibited from distributing dividends and residual assets to its members.

Under the GIA/GIF Law, there is no concept of shareholding nor equity interest in a general incorporated association (*ippan shadan houjin* 一般社団法人). The initial funds of Shinrainomori Association, which does not confer any equity ownership nor management influence, of ¥1 million was injected by Dynam.

The organisational structure of Shinrainomori Association is provided for under the GIA/GIF Law, comprising a general meeting of members, which is the highest decision-making body, and a board of directors, which executes day-to-day operation. Directors are appointed and dismissed by the general meeting of members. Mr. Sato and Mr. Kohei SATO, a director of Dynam, are currently directors of Shinrainomori Association and Dynam, Cabin Plaza, Daikokuten, and Okuwa Japan, each being a wholly-owned subsidiary of our Company, are currently members of Shinrainomori Association. Only members are entitled to voting rights in the general meeting of members.

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Given that our Company, through our wholly-owned subsidiaries, controls the entire voting rights in Shinrainomori Association and is entitled to appoint all of its directors, Shinrainomori Association is a subsidiary undertaking of our Company by virtue of Schedule 23 of the Companies Ordinance and thus a subsidiary of our Company, under the Listing Rules.

Shinrainomori Association was established as a supporting arm of our *Shinrai no Mori* (信頼の森) brand to undertake non-profit brand-building activities and corporate social responsibility initiatives such as making donations to charities. The source of funding of these donations originated from the membership fees paid by Dynam, Cabin Plaza, Daikokuten and Okuwa Japan, and the time and amount of these donations is determined by Mr. Sato and Mr. Kohei SATO in their capacities as directors of Shinrainomori Association. As at the Latest Practicable Date, Shinrainomori Association had not engaged in any profit-earning business activities with any Independent Third Party.

For each of the financial years ended 31 March 2010, 2011 and 2012, the aggregate membership fee paid by Dynam, Cabin Plaza, Daikokuten and Okuwa Japan to Shinrainomori Association was nil, ¥650,000 and ¥7,800,000 (equivalent to approximately HK\$733,083), respectively. On the basis that Shinrainomori Association is a subsidiary of our Company, the membership fee paid by our wholly-owned subsidiaries is not a continuing connected transaction and we do not have to comply with Chapter 14A of the Listing Rules in respect of such membership fee.

Details of the changes in our subsidiaries' share capital is set out under the paragraphs headed "Statutory and General Information — A. Further Information about our Company — 3. Changes in the share capital of our subsidiaries" in Appendix V to this Prospectus.

Dissolved Entities

The Dissolved Entities include the following companies and general incorporated foundations:

P Brand Planning

P Brand Planning was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) under the Companies Act in Japan on 9 January 2004 and was a wholly-owned subsidiary of Dynam Investment. Prior to its dissolution, P Brand Planning was primarily engaged in (i) communication and liaison with manufacturers of game machines regarding the specifications and acquisitions of private brand machines; and (ii) the trading of LCD monitors. The dissolution of P Brand Planning was completed on 24 February 2011. Upon its deregistration, P Brand Planning transferred ¥4 million of cash reserves and ¥21.7 million of liabilities, all of which were generated as a result of corporation tax loss, to DYH.

Subsequent to the dissolution of P Brand Planning, the businesses of P Brand Planning were succeeded by P Trading (in respect of the private brand machines) and Rich-O Korea (in respect of the LCD monitors).

Dynamic Design

Dynamic Design was incorporated with limited liability as a stock company (*kabushiki-gaisha* 株式会社) under the Companies Act in Japan on 13 November 2003 and was a wholly-owned subsidiary of Dynam Investment. Prior to its dissolution, Dynamic Design was primarily engaged in the roasting and sale of coffee beans. The dissolution of Dynamic Design was completed on 1 February 2008 and did not involve the transfer of any liabilities to our Group.

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Subsequent to the dissolution of Dynamic Design, the business of coffee bean roasting and sales was succeeded by Beijing GEO.

As at the Latest Practicable Date, the Dissolved Entities had been dissolved and their respective registrations had been cancelled. Save as disclosed above, the dissolution and deregistration of the Dissolved Entities did not involve any transfer of liabilities to our Group. The Dissolved Entities were solvent at the time they were dissolved. All the contracts of the Dissolved Entities were fulfilled before their respective dissolutions and deregistrations. There were no outstanding contracts of the Dissolved Entities upon their dissolutions. Customers of the Dissolved Entities are now served by our Group or the Remaining DYH Group.

OUR CORPORATE DEVELOPMENT

Over the course of our corporate history, we took a series of restructuring steps for the purpose of streamlining our corporate structure and optimising our shareholding control. These restructuring steps comprise the following:

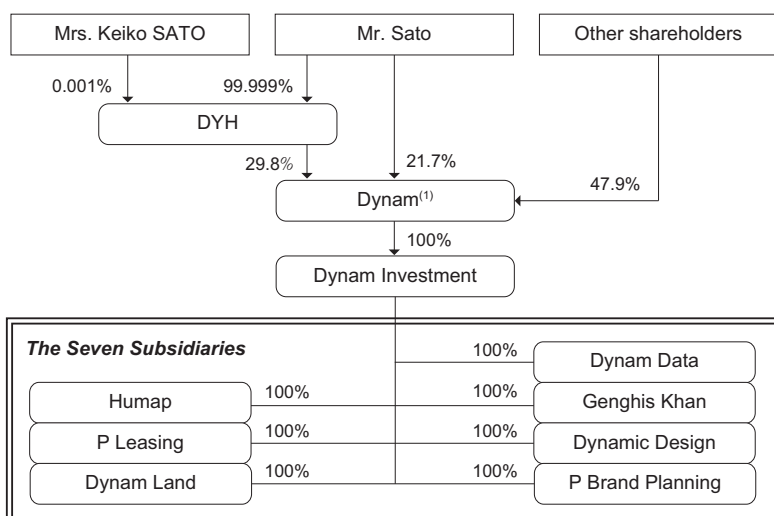
- (a) **the 2006 Restructuring**, whereby the holding company of our Group changed from Dynam to DYH; and
- (b) **the Reorganisation**, whereby the businesses and assets of our Group were consolidated into our Company in preparation for the Listing.

Historically, all of our Group's businesses were controlled by, directly or indirectly, our Controlling Shareholders and any changes made to the corporate structure of our Group pursuant to the 2006 Restructuring and the Reorganisation were akin to an intra-group transfer.

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2006 Restructuring

The 2006 Restructuring was designed to (i) optimise and streamline the shareholding structure of Mr. Sato's business ventures for tax efficiency reasons; and (ii) enhance the corporate governance of our Group through diversification of shareholdings. Set out below is our corporate structure immediately prior to the implementation of the 2006 Restructuring (as at 22 June 2006):



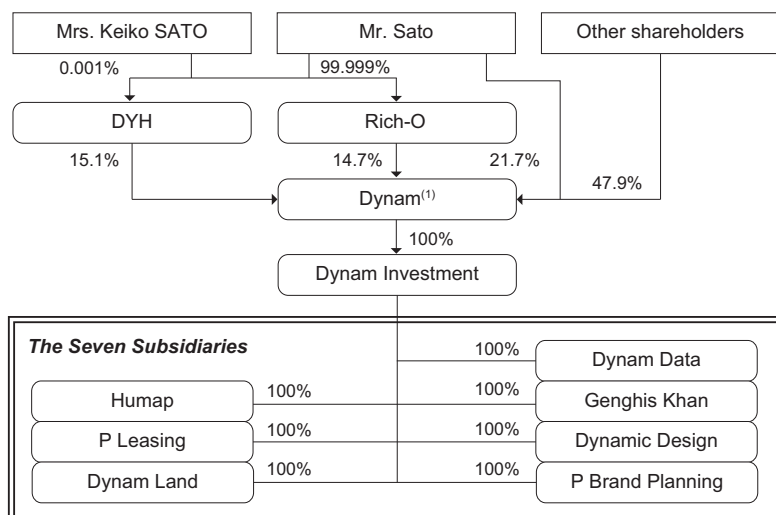
(1) The shareholding percentage of Dynam takes into account the 188,000 outstanding treasury shares in Dynam, representing 0.6% of the entire issued share capital of Dynam.

The 2006 Restructuring comprised the following steps:

- (i) **Renaming of DYH** — DYH changed its name from Rich-O Co., Ltd. to its current name of DYNAM Holdings Co., Ltd.* (株式会社ダイナムホールディングス) on 22 June 2006.
- (ii) **2006 Company split** — on 1 August 2006, DYH undertook the 2006 Company Split, an incorporation type company split permitted by Japanese law designed to divide the business interests of DYH by making DYH the splitting company and Rich-O, a newly-incorporated company and a Controlling Shareholder, the splitting off company. As a result of the 2006 Company Split, DYH's 29.8% interests in Dynam was split between DYH and Rich-O, with DYH holding 15.1% and Rich-O holding 14.7% immediately thereafter.

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Set out below is our corporate structure immediately following the implementation of the 2006 Company Split (as at 1 August 2006):

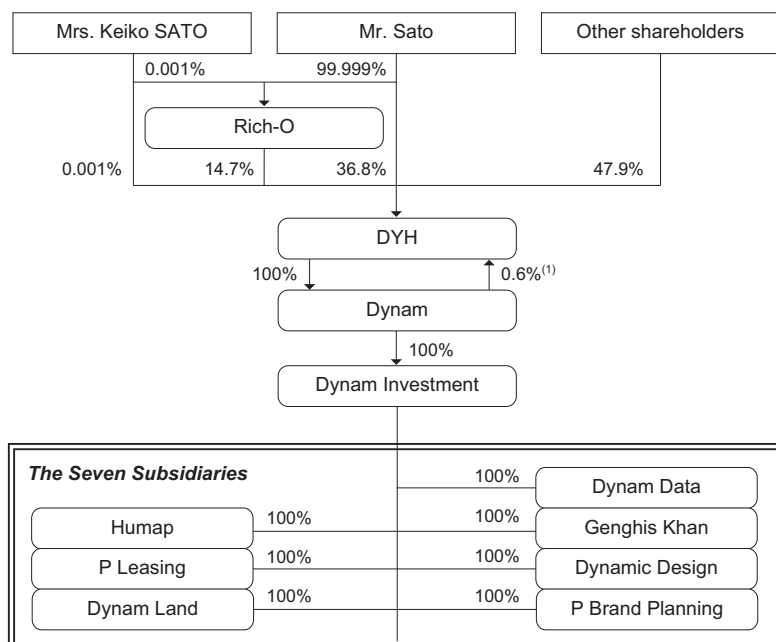


(1) The shareholding percentage of Dynam takes into account the 188,000 outstanding treasury shares in Dynam, representing 0.6% of the entire issued share capital of Dynam.

- (iii) **Stock split** — DYH performed a stock split on 23 August 2006 to enlarge its issued share capital from 127,126 DYH Shares to 4,906,890 DYH Shares.
- (iv) **First Share Swap** — On 1 October 2006, the then existing shareholders of Dynam transferred their entire interests in Dynam to DYH, in consideration for DYH issuing and allotting new DYH Shares to the then existing Dynam shareholders pro-rata to their then shareholding in Dynam. No new DYH Shares were issued to DYH for its existing interests in Dynam prior to the implementation of the First Share Swap.

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Set out below is our corporate structure immediately following the implementation of the First Share Swap (as at 1 October 2006):

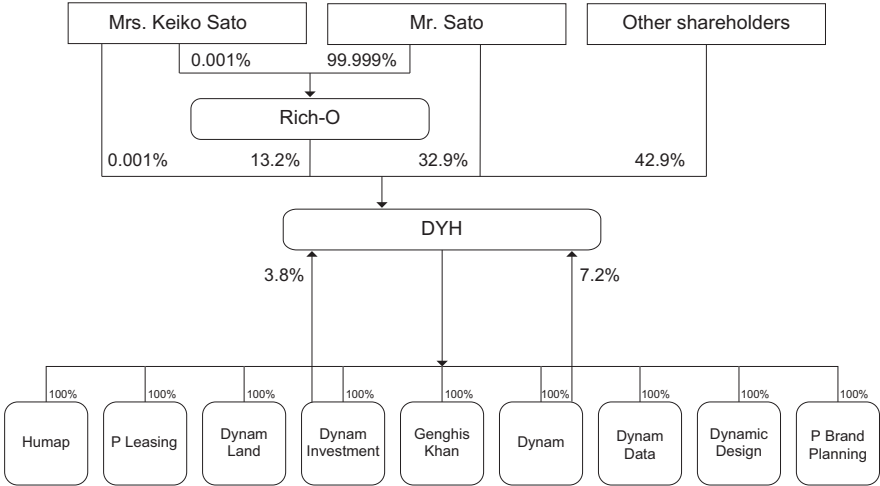


(1) Prior to the First Share Swap, Dynam had 188,000 outstanding treasury shares, which were converted into 188,000 DYH Shares pursuant to the First Share Swap, resulting in a reversed ownership structure.

- (v) **Second Share Swap** — On 1 December 2006, the entire issued share capital of Dynam Investment and each of Humap, P Leasing, Dynam Land, Genghis Khan, Dynam Data, P Brand Planning, and Dynamic Design (collectively, the “Seven Subsidiaries”) was transferred by Dynam and Dynam Investment, respectively, to DYH, in consideration for DYH further issuing and allotting new DYH Shares to the then existing shareholders of Dynam Investment (i.e. Dynam) and the Seven Subsidiaries (i.e. Dynam Investment), pro-rata to their respective shareholding in Dynam Investment and the Seven Subsidiaries at that time. Following the implementation of the Second Share Swap, (i) Dynam Investment and the Seven Subsidiaries became directly wholly-owned by DYH; and (ii) Dynam and Dynam Investment received new DYH Shares, resulting in a reversed ownership structure.

HISTORY, DEVELOPMENT AND REORGANISATION

Set out below is our corporate structure immediately following the implementation of the Second Share Swap (as at 1 December 2006):

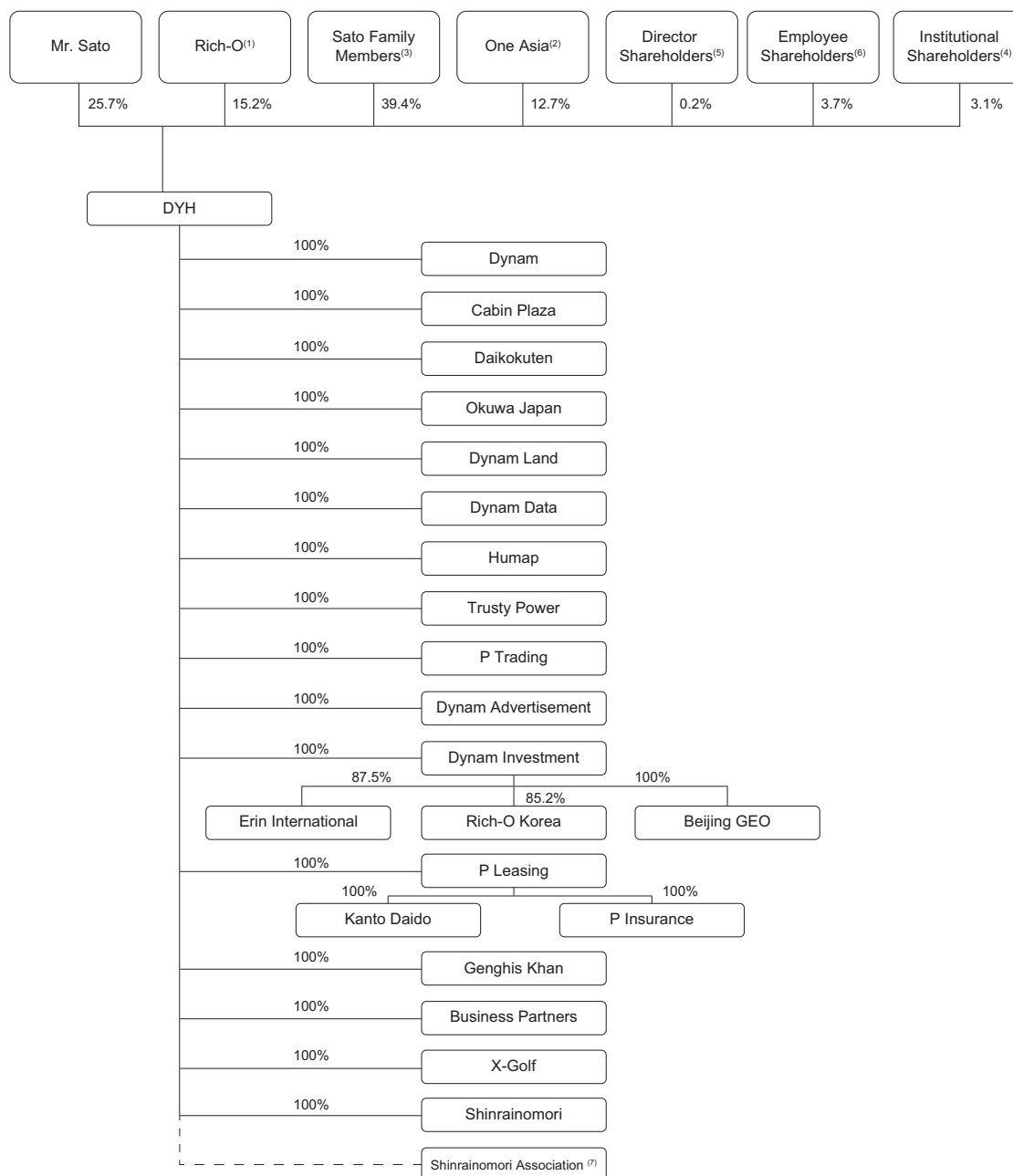


Following the completion of the 2006 Restructuring, DYH became the holding company of our Group, the Remaining DYH Group and the Dissolved Entities.

HISTORY, DEVELOPMENT AND REORGANISATION

Reorganisation

In September 2011, we underwent the Reorganisation in preparation for the Listing, whereby the businesses and assets of, and incidental to, our pachinko hall operations, were consolidated into our Group. Set out below is our shareholding and corporate structure immediately prior to the implementation of our Reorganisation (as at 19 September 2011):



(1) Rich-O is 99.9% held and controlled by Mr. Sato.

(2) One Asia is a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) established under the GIA/GIF Law by Mr. Sato. The operation and management of One Asia is independent of our Controlling Shareholders and our Controlling Shareholders have no discretion in exercising One Asia's voting rights in our Company. One Asia,

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being a substantial Shareholder of our Company, is a connected person of our Company. See “Relationship with Controlling Shareholders — Overview — One Asia” for further details on the relationship between One Asia and our Controlling Shareholders.

- (3) The Sato Family members include Mrs. Yaeko NISHIWAKI (sister of Mr. Sato), Mr. Masahiro SATO (brother of Mr. Sato), Mr. Shigehiro SATO (brother of Mr. Sato), Mr. Kohei SATO (brother of Mr. Sato), Mr. Kiyotaka SATO (uncle of Mr. Sato), and Mrs. Keiko SATO (wife of Mr. Sato), each being a family member of, and an associate of, Mr. Sato.
- (4) Our Institutional Shareholders consist of 12 corporate entities and the SSOP. They are Independent Third Parties in respect of our Group and of each other. The interests of our Institutional Shareholders will be added to the shareholding attributable to the public float upon the Listing.
- (5) Our Director Shareholders consist of Mr. Ushijima, Mr. Horiba, Mr. Takano and Mr. Yoshida, each being a Director of our Company and a connected person to our Company and our Controlling Shareholders. These interests will not be added to the shareholding attributable to the public float upon the Listing.
- (6) Our Employee Shareholders are the ESOP and 38 former and current employees of our Group, each being an Independent Third Party to our Group and our Controlling Shareholders. These interests will be added to the shareholding attributable to the public float upon the Listing.
- (7) Shinrainomori Association is a general incorporated association (*ippan shadan houjin* 一般社団法人) organised under the GIA/GIF Law in Japan which does not involve the concept of shareholding and equity interests. The entire voting rights in Shinrainomori Association are controlled by Dynam, Cabin Plaza, Daikokuten and Okuwa Japan, each being a wholly-owned subsidiary of DYH, which also has the power to appoint all of its directors. Hence, Shinrainomori Association is a subsidiary undertaking of DYH under Schedule 23 of the Companies Ordinance and thus a subsidiary of DYH under the Listing Rules prior to our Reorganisation.

Our Reorganisation comprised the following major steps:

- (i) **The Company Split** — the Company Split, which was an incorporation-type company split permitted under Japanese law the primary purpose of which is to split the subsidiaries of DYH and their respective businesses between DYH (as the splitting company) and our Company (as the split-off company), was effected as follows:
 - (a) **incorporation of our Company** — our Company was incorporated under the Companies Act as a stock company (*kabushiki-gaisha* 株式会社) on 20 September 2011 with limited liability to serve as the listing vehicle and the holding company of our Group;
 - (b) **transfer of our Shares to DYH Shareholders** — DYH declared and distributed a dividend in specie by way of distributing 31,542,518 new Shares, representing our entire issued share capital, to the DYH Shareholders. Each DYH Shareholder received the same number of Shares as the number of DYH Shares they held as at 20 September 2011; and
 - (c) **transfer of interests in our subsidiaries** — DYH transferred all assets, rights and interests relating to Dynam, Cabin Plaza, Daikokuten, Okuwa Japan, Dynam Land, Dynam Data, P Trading and Dynam Advertisement to our Company in consideration for our Company issuing and allotting new Shares to the then existing DYH Shareholders in the manner described in (b) above. Each of these companies became directly-wholly owned by our Company.
- (ii) **Transfer of interests in Kanto Daido** — On 21 November 2011, P Trading and P Leasing entered into an equity transfer agreement, pursuant to which P Leasing agreed to, on 1 December 2011, transfer the entire issued share capital in Kanto Daido to P Trading in consideration for ¥49 million, equivalent to the net asset value of Kanto Daido as at 30 September 2011. Kanto Daido became indirectly wholly-owned by our Company through P Trading.
- (iii) **Transfer of interests in Shinrainomori** — On 21 November 2011, our Company and DYH entered into an equity transfer agreement, pursuant to which DYH agreed to, on 1 December 2011, transfer the entire issued share capital in Shinrainomori to our

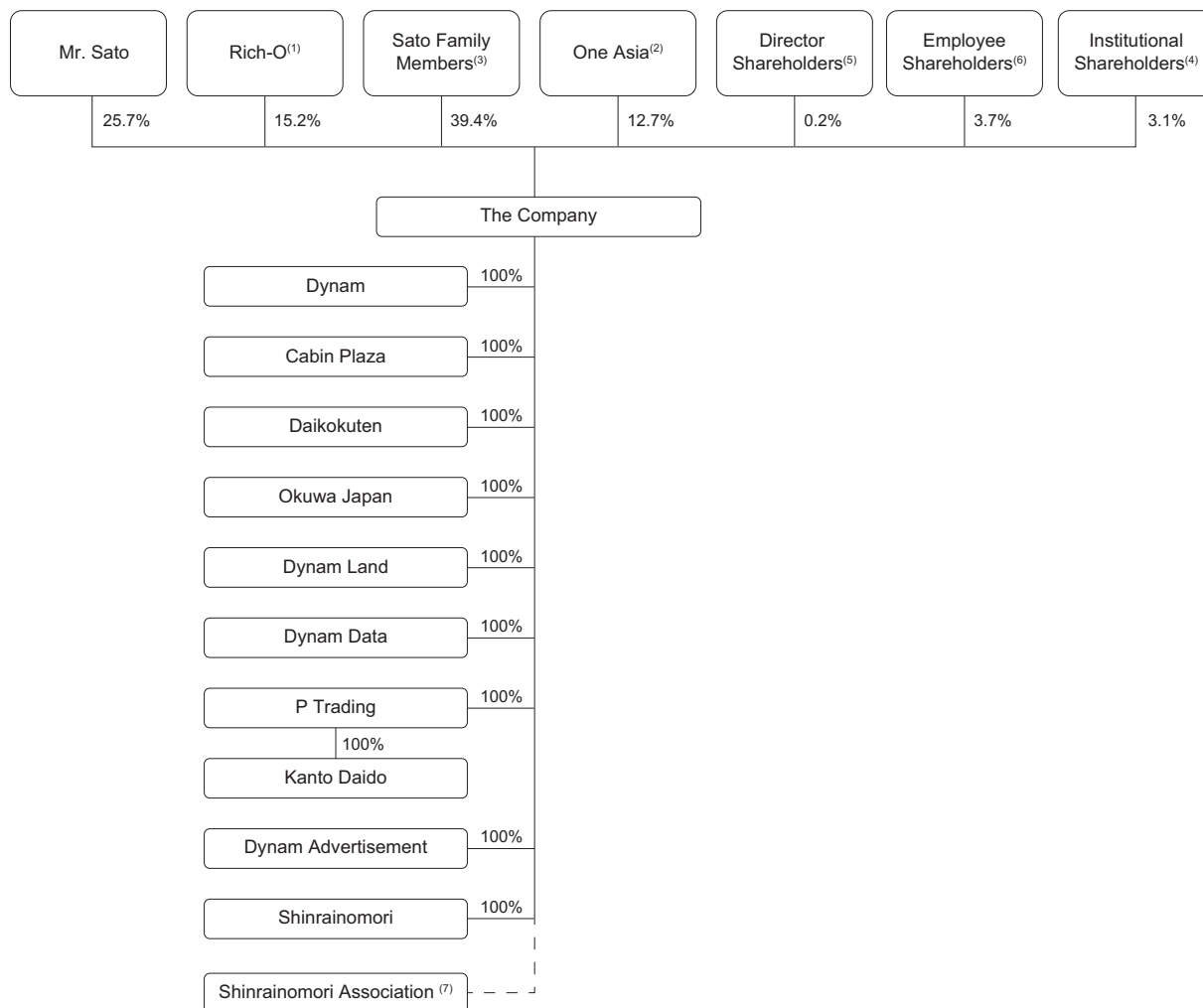
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Company in consideration for ¥9 million, equivalent to the net asset value of Shinrainomori as at 30 September 2011. Shinrainomori became directly wholly-owned by our Company.

- (iv) **Termination of the secondment of the Relevant Trusty Power Secondees** — Prior to the Reorganisation, Dynam seconded 50 employees (the “Relevant Trusty Power Secondees”) to Trusty Power to provide human resources recruitment, job placement and employee training services to members of our Group. On 15 November 2011, Trusty Power terminated the secondment arrangements with Dynam and the Relevant Trusty Power Secondees returned to Dynam and continued to provide these services to our Group. Thereafter, there is no business relationship between Trusty Power and our Group.
- (v) **Change of control in Shinrainomori Association** — As part of the Company Split, DYH transferred its entire interests in Dynam, Cabin Plaza, Daikokuten and Okuwa Japan, which are entitled to the entire voting rights in Shinrainomori Association, to our Company. As a result, control over Shinrainomori Association shifted from DYH to our Company as our Company is entitled to exercise all voting rights in Shinrainomori Association and appoint all its directors through these companies. As a result, Shinrainomori Association became a subsidiary undertaking of our Company under Schedule 23 of the Companies Ordinance and a subsidiary under the Listing Rules.
- (vi) **Shareholding adjustments** — our Group performed the following shareholding adjustment to rationalise our shareholding structure:
 - (a) On 9 September 2011, Dynam transferred its entire interests in DYH (as a reversed ownership structure resulted from the 2006 Restructuring) to DYH by way of dividend payments at book value of approximately ¥4.8 billion. Hence, Dynam ceased to be a DYH Shareholder.
 - (b) On 15 September 2011, DYH cancelled all outstanding treasury DYH Shares, being 4,821,236 DYH Shares. Hence, there is no outstanding treasury Share in our share capital as at the date of this Prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Reorganisation was completed on 1 December 2011. Set out below is our shareholding and corporate structure immediately following the completion of our Reorganisation but prior to the Global Offering:



- (1) Rich-O is 99.9% held and controlled by Mr. Sato.
- (2) One Asia is a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) established under the GIA/GIF Law by Mr. Sato. The operation and management of One Asia is independent of our Controlling Shareholders and our Controlling Shareholders have no discretion in exercising One Asia's voting rights in our Company. One Asia, being a substantial Shareholder of our Company, is a connected person of our Company. See "Relationship with Controlling Shareholders — Overview — One Asia" for further details on One Asia's relationship with our Controlling Shareholders.
- (3) The Sato Family members include Mrs. Yaeko NISHIWAKI (sister of Mr. Sato), Mr. Masahiro SATO (brother of Mr. Sato), Mr. Shigehiro SATO (brother of Mr. Sato), Mr. Kohei SATO (brother of Mr. Sato), Mr. Kiyotaka SATO (uncle of Mr. Sato), and Mrs. Keiko SATO (wife of Mr. Sato), each being a family member of, and an associate of, Mr. Sato.
- (4) Our Institutional Shareholders consist of the SSOP and 12 corporate entities. They are Independent Third Parties of our Group and of each other. The interests of our Institutional Shareholders will be added to the shareholding attributable to the public float upon the Listing.
- (5) Our Director Shareholders consist of Mr. Ushijima, Mr. Horiba, Mr. Takano and Mr. Yoshida, each being a Director of our Company and a connected person to our Company and our Controlling Shareholders. These interests will not be added to the shareholding attributable to the public float upon the Listing.
- (6) Our Employee Shareholders are the ESOP and 38 former and current employees of our Group, each being an Independent Third Party to our Group and our Controlling Shareholders. These interests will be added to the shareholding attributable to the public float upon the Listing.

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- (7) Shinrainomori Association is a general incorporated association (*ippan shadan houjin* 一般社団法人) organised under the GIA/GIF Law in Japan which does not involve the concept of shareholding and equity interests. The entire voting rights in Shinrainomori Association are controlled by Dynam, Cabin Plaza, Daikokuten and Okuwa Japan, each being a wholly-owned subsidiary of our Company, which also has the power to appoint all of its directors. Hence, Shinrainomori Association is a subsidiary undertaking of our Company under Schedule 23 of the Companies Ordinance and thus a subsidiary of our Company under the Listing Rules prior to our Reorganisation.

Following our Reorganisation, certain subsidiaries of DYH were not consolidated into our Company and do not form part of our Group. These companies, which remained as wholly-owned subsidiaries of DYH, form the Remaining DYH Group. Our Directors are of the view that the Remaining DYH Group does not compete, and is not likely to compete, either directly or indirectly, with our Group. See “Relationship with our Controlling Shareholders” in this Prospectus below for details of the Remaining DYH Group’s operations.

Our Japan Legal Adviser confirms that our Reorganisation complies with all relevant laws, rules, regulations and licence restrictions (including the obtaining of all necessary approvals).

Post-Reorganisation corporate development

Sub-division of the Shares

Pursuant to the resolutions of our Board of Directors dated 5 June 2012, our Directors approved the sub-division of every issued Share of nil par value in our share capital into 20 Shares of nil par value, such that the issued share capital of our Company increased from 31,542,518 Shares to 630,850,360 Shares. The sub-division took effect on 21 June 2012.

Pre-IPO Convertible Bonds

On 22 November 2011, our Company issued the Pre-IPO Convertible Bonds to certain Japanese corporations engaged in the manufacture and sales of pachinko and pachislot machines, as well as other related ancillary machines, each being an Independent Third Party to each other, our Group and their respective associates. The Pre-IPO Convertible Bonds had a principal amount of US\$65 million.

On 1 March 2012, our Company issued notice to each of the CB Holders to fully redeem the Pre-IPO Convertible Bonds at a price equivalent to the principal amounts together with interests incurred thereon. The decision to redeem the Pre-IPO Convertible Bonds came after a review of our working capital which, in the opinion of the Directors, is in a position to support our business needs. Following such redemption, all of the CB Holders are no longer entitled to any form of securities in our Company and the Pre-IPO Convertible Bonds do not constitute Pre-IPO investments under the Listing Rules.

OUR SHAREHOLDING STRUCTURE

Overview

The shareholdings of our Group have experienced a number of changes over the years, as a result of which, immediately prior to the Global Offering, our Company is held (i) as to 25.7% beneficially by Mr. Sato, our executive Director, chairman of our Board and Chief Executive Officer; (ii) as to 15.2% beneficially by Rich-O, a company controlled by Mr. Sato; (iii) as to 12.7% beneficially by One Asia, a non-profit-generating general incorporated foundation (*ippan zaidan houjin* 一般財団法人) acting independently of our Controlling Shareholders; (iv) as to 39.4% beneficially by the Sato Family Members in aggregate, each being a family member and an associate of Mr. Sato; (v) as to 0.2% by four Director Shareholders; (vi) as to 3.7% by the Employee Shareholders, comprising the ESOP and 38 current and former employees in

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aggregate; and (vii) as to 3.1% beneficially by the Institutional Shareholders, comprising the SSOP and 12 corporate entities, each being an Independent Third Party in respect of our Group and each other and the shareholding of which will be added to the shareholding attributable to the public Shareholders upon Listing. Based on the above, each of Mr. Sato, Rich-O, and each of the Sato Family Members is a Controlling Shareholder, controlling in aggregate 80.3% of the voting rights in our Company immediately prior to the Global Offering. The following table summarises the shareholding changes in DYH, the holding company of our Group prior to the Reorganisation, and our Company during the Track Record Period and thereafter up to the Latest Practicable Date:

	Number of shares (approximate percentage (%) of shareholding) ⁽¹⁾					
	As at 1 April 2008 (in DYH)	As at 31 March 2009 (in DYH)	As at 31 March 2010 (in DYH)	As at 31 March 2011 (in DYH)	As at 31 March 2012 (in the Company)	As at the Latest Practicable Date (in the Company)
Mr. Sato	12,016,128 (38.2%)	12,016,128 (37.9%)	8,126,128 (25.7%)	8,126,128 (25.8%)	8,126,128 (25.7%)	162,522,560 (25.7%)
Rich-O	4,790,500 (15.2%)	4,790,500 (15.2%)	4,790,500 (15.2%)	4,790,500 (15.2%)	4,790,500 (15.2%)	95,810,000 (15.2%)
Sato Family Members	12,416,828 (39.5%)	12,416,828 (39.3%)	12,416,828 (39.4%)	12,416,828 (39.5%)	12,416,828 (39.4%)	248,336,560 (39.4%)
Director Shareholders	14,000 (0.1%)	19,000 (0.1%)	46,000 (0.2%)	50,500 (0.2%)	54,900 (0.2%)	1,098,000 (0.2%)
Employee Shareholders	1,061,662 (3.3%)	1,069,762 (3.3%)	1,150,162 (3.6%)	1,162,962 (3.7%)	1,175,562 (3.7%)	23,511,240 (3.7%)
Institutional Shareholders	1,146,000 (3.7%)	1,315,100 (4.2%)	1,011,200 (3.2%)	927,700 (2.9%)	978,600 (3.1%)	19,572,000 (3.1%)
One Asia	—	—	4,000,000 (12.7%)	4,000,000 (12.7%)	4,000,000 (12.7%)	80,000,000 (12.7%)
Total	<u>31,445,118</u> (100%)	<u>31,627,318</u> (100%)	<u>31,540,818</u> (100%)	<u>31,474,618</u> (100%)	<u>31,542,518</u> (100%)	<u>630,850,360</u> (100%)

(1) The calculation of shareholding percentage takes no account of the outstanding DYH Shares, which amounted to 2,194,520 DYH Shares at all times during the Track Record Period (until cancelled on 15 September 2011), and the DYH Shares held by Dynam, our wholly-owned subsidiary, which amounted to 2,628,416 DYH Shares at all times during the Track Record Period (until cancelled on 9 September 2011).

As demonstrated above, our Controlling Shareholders, namely Mr. Sato, Rich-O and the Sato Family Members, have historically been interested in over 80% of the entire issued share capital of DYH (prior to the implementation of our Reorganisation) and our Company (following the implementation of our Reorganisation) at all times during the Track Record Period. Hence, our shareholding control has remained stable through the Track Record Period.

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We set out below a summary of our five groups of Shareholders:

Group 1: Controlling Shareholders

Immediately following the completion of our Reorganisation but prior to the Global Offering, our Company is owned as to approximately 25.7%, 15.2%, and 39.4% by each of Mr. Sato, Rich-O, and the Sato Family Members, representing in aggregate approximately 80.3% of our entire issued share capital. Each of Mr. Sato, Rich-O, and the Sato Family Members is connected to, and an associate of, each other, and is therefore a Controlling Shareholder of our Company.

Our Controlling Shareholders comprise the following individuals and corporations:

Name	Relationship with Mr. Sato	Number of Shares held as at the Latest Practicable Date	Approximate percentage of shareholding as at the Latest Practicable Date
Mr. Sato	N/A	162,522,560	25.7%
Rich-O	99.9% owned and controlled by Mr. Sato	95,810,000	15.2%
Mrs. Yaeko NISHIWAKI	Sister and associate of Mr. Sato	62,396,760	9.9%
Mr. Masahiro SATO	Brother and associate of Mr. Sato	55,259,680	8.8%
Mr. Shigehiro SATO	Brother and associate of Mr. Sato	55,139,680	8.7%
Mr. Kohei SATO	Brother and associate of Mr. Sato	55,139,680	8.7%
Mr. Kiyotaka SATO	Uncle and associate of Mr. Sato	20,400,000	3.3%
Mrs. Keiko SATO	Spouse and associate of Mr. Sato	760	0.0001%

Group 2: One Asia

One Asia is a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) established under the GIA/GIF Law by Mr. Sato on 21 December 2009 with a view to promote harmony and cooperation among Asian communities. One Asia is interested in the Shares in our Company for equity holding purposes. Such equity interests are an important ancillary function for One Asia that forms its main source of income and provides stable liquidity in achieving its primary objectives by sponsoring and undertaking Asian community projects, which include making grants to universities and research bodies engaged in Asian studies, supporting non-profit organisations in raising cultural awareness, and awarding scholarships to Asian students, according to the information provided by One Asia. The operation and management of One Asia is independent of our Controlling Shareholders and our Controlling Shareholders have no influence over the exercise of One Asia's voting rights in our Company. Hence, One Asia is not a Controlling Shareholder under the Listing Rules. For further details of One Asia's relationship with our Controlling Shareholders, See "Relationship with Controlling Shareholders — Overview — One Asia" in this Prospectus.

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Group 3: Director Shareholders

Our Director Shareholders comprise the following four individuals:

<u>Name</u>	<u>Position within our Company</u>	<u>Number of Shares held as at the Latest Practicable Date</u>	<u>Approximate percentage of shareholding as at the Latest Practicable Date</u>
Mr. Ushijima	Non-executive Director	838,000	0.1%
Mr. Horiba	Independent non-executive Director	100,000	0.02%
Mr. Takano	Independent non-executive Director	20,000	0.003%
Mr. Yoshida	Independent non-executive Director	140,000	0.02%

The shareholding interests held by our Director Shareholders will not be attributable to our shareholding in public hands.

Group 4: Employee Shareholders

Our Employee Shareholders include the ESOP, an entitlement rights scheme aimed at providing for deferred compensation to employees as part of their employment package, and 38 current and former employees of our Group. Each of these Employee Shareholders is an Independent Third Party to each other, our Group and our Controlling Shareholders and their shareholding interests will be attributed to our shareholding in public hands.

As at the Latest Practicable Date, our Employee Shareholders were interested in 23,511,240 Shares, representing approximately 3.7% of our entire issued share capital.

ESOP

On 2 October 1988, Dynam established an association* (*minpoujou no kumiai* 民法上の組合), known as DYNAM Employees Stock Ownership Plan, or the ESOP, under the Civil Code, as an incentive to the employees of our Group, aligning the interests of our employees to the interests of our Shareholders to support our future growth. The ESOP is a discretionary trust in nature and is governed by the SOP Guidance issued by the Japanese Securities Dealers Association. The ESOP is administered by a board of directors, which is assisted by Daiwa Securities Capital Market Co., Ltd., an Independent Third Party, as the transfer agent of ESOP, pursuant to a transfer agent agreement dated 1 April 2006. The ESOP was a DYH Shareholder. As part of our Reorganisation, DYH effected a distribution in specie such that the original DYH Shareholders became the Shareholders of our Company. Upon the completion of our Reorganisation, the ESOP cancelled its entire interests in DYH.

Following the completion of the Global Offering, the ESOP would be interested in 19,065,240 Shares, representing approximately 2.6% of our entire issued share capital (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option).

Membership of the ESOP is confined to the current employees of our Group only. All members of the ESOP are required to make a monthly capital contribution ranging from ¥1,000 to ¥30,000, deducted directly from their salary. Extraordinary capital contribution will be made when our Company performs a rights issue or when decided by the board of directors. In

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addition, members may elect to make a special capital contribution out of their bonus payment twice a year. Pro-rata to the aggregate amount of their monthly, special and extraordinary capital contribution, members are granted a certain number of entitlement rights. These rights enable them to benefit from the appreciation in the value of the Shares in our Company. The entitlement rights confer solely a claim to payment in cash, not a right to claim to purchase Shares in our Company. None of the entitlement rights granted by the ESOP are convertible into Shares or any other form of securities in our Company.

As at the Latest Practicable Date, the ESOP had granted 19,065,240 entitlement rights, corresponding to 19,065,240 Shares in our Company, to 617 current employees of our Group (collectively, the “ESOP Grantees”, each an “ESOP Grantee”). Each of the ESOP Grantees obtaining an entitlement would be entitled to benefits associated with one Share in our Company. The maximum number of entitlement rights that may be granted by the ESOP is the number of Shares it holds in our Company.

The Shares held by the ESOP are subscribed by making use of the monthly, extraordinary and special capital contribution from the ESOP Grantees. Our Directors have confirmed that the consideration for such Shares is calculated on an arm’s length basis with reference to the net asset value of our Company (following the completion of our Reorganisation) and DYH (prior to the Reorganisation) at the time of subscription. Dividends associated with such Shares are not distributed to the ESOP Grantees but kept by the ESOP as capital reserve to invest in additional Shares in our Company.

Entitlement rights granted by the ESOP may only be exercised when an ESOP Grantee decides to cancel its membership with the ESOP. Upon exercise of the entitlement rights, an ESOP Grantee may claim a payment which is the aggregate of the exercise values of the entitlement rights and the aggregate amount of monthly and extraordinary capital contributions attributable to the relevant ESOP Grantee. There is no fixed exercise value of the entitlement rights, which is determined by the board of directors of the ESOP from time to time, and the rights to exercise the entitlement rights do not have an expiry date.

The Shares held by the ESOP rank *pari passu* in all respects with the existing fully paid Shares in issue. Hence, there are no specific rights in favour of the ESOP Grantees attached to the Shares held by the ESOP. Anticipated future claims from the ESOP are covered by provisions. The ESOP exercises its voting rights in our Company at the discretion of the board of directors of the ESOP, which consult with the ESOP Grantees from time to time. None of the members of the board of directors of the ESOP is a connected person of our Company.

During the Track Record Period, the ESOP developed as follows:

	As at 31 March			As at the Latest Practicable Date (in our Company)
	2010 (in DYH)	2011 (in DYH)	2012 (in our Company)	
Number of entitlements rights	953,362	942,962	953,262	19,065,240
Newly granted entitlements rights	62,100	40,200	11,900	—
Exercised entitlements rights	900	50,600	1,600	—

On 21 June 2012, our Company sub-divided each Share in our issued share capital into 20 Shares. Hence, each entitlement right held by the ESOP Grantees (representing one Share) was sub-divided into 20 entitlement rights (representing 20 Shares) on the same date.

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As the ESOP Grantees are entitled to payment in cash but not Shares or other form of securities in our Company upon exercise of their respective entitlement rights, the exercise of the entitlement rights will not dilute the issued share capital of the Company. The ESOP is, in substance, a scheme providing for deferred compensation to employees as part of their remuneration package. Hence, the Joint Sponsors and our Directors consider that the above entitlement rights arrangement is not regulated by Chapter 17 of the Listing Rules.

Group 5: Institutional Shareholders

Our Institutional Shareholders include the SSOP, an entitlement rights scheme targeted at our long-term suppliers, and 12 corporate entities that invested in our Group. Each of these Institutional Shareholders is an Independent Third Party to each other, our Group and our Controlling Shareholders and their shareholding will be attributed to our shareholding in public hands.

The majority of our Institutional Shareholders are our suppliers or bankers in which we also hold interests. This cross shareholding structure, according to our Directors' understanding, is a common practice in Japan to engender amicable relationships with business partners. Upon the Listing, we intend to maintain our network of cross shareholding with our Institutional Shareholders to maintain our ties with these long term business partners. Our Directors have confirmed that none of our Institutional Shareholders received interests in our Company as security or financial guarantee. All of our Institutional Shareholders obtained their respective Shares in our Company in consideration for an amount that was calculated on an arm's length basis.

Our Directors further confirm that none of our Institutional Shareholders were interested in more than 5% of our entire issued share capital, being the maximum amount of share capital a financial institution can hold in its clients under the relevant laws and regulations in Japan.

Our Institutional Shareholders include the following corporate entities:

<u>Name</u>	<u>Business activities</u>	<u>Business relationship with our Group (if any)</u>	<u>Number of Shares held as at the Latest Practicable Date</u>	<u>Approximate percentage of shareholding as at the Latest Practicable Date</u>
Mizuho Bank Ltd.* (株式会社みずほ銀行)	Financial institution	As at 31 March 2012, our outstanding amount due to this Institutional Shareholder amounted to approximately ¥13 billion	5,000,000	0.9%
Sumitomo Mitsui Banking Corporation* (株式会社三井住友銀行)	Financial institution	As at 31 March 2012, our outstanding amount due to this Institutional Shareholder amounted to approximately ¥6 billion	2,600,000	0.5%
Nipponkoa Insurance Co., Ltd.* (日本興亜損害保険株式会社)	Insurance company	Our Group maintained certain insurance policies with this Institutional Shareholder	1,200,000	0.3%
Resona Bank Limited* (株式会社りそな銀行)	Financial institution	As at 31 March 2012, our outstanding amount due to this Institutional Shareholder amounted to approximately ¥1 billion	800,000	0.1%

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Name	Business activities	Business relationship with our Group (if any)	Number of Shares held as at the Latest Practicable Date	Approximate percentage of shareholding as at the Latest Practicable Date
Sohgo Security Services Co., Ltd.* (総合警備保障株式会社)	Provider of security services	This Institutional Shareholder installed security alarm system at our office premises, pachinko halls and distribution centres	800,000	0.1%
Sumitomo Mitsui Trust Bank, Limited* (三井住友信託銀行株式会社)	Financial institution	As at 31 March 2012, our outstanding amount due to this Institutional Shareholder amounted to approximately ¥810 million	800,000	0.1%
Century Tokyo Leasing Corporation* (東京センチュリーリース株式会社)	Leasing of machinery and equipment	As at the Latest Practicable Date, our Group had ceased all business relationship with this Institutional Shareholder	800,000	0.1%
Fuyo General Lease Co., Ltd.* (芙蓉総合リース株式会社)	Leasing of machinery and equipment	As at the Latest Practicable Date, our Group had ceased all business relationship with this Institutional Shareholder	800,000	0.1%
Weru Investment Co., Ltd.* (ウエルインベストメント株式会社)	Provision of loans to start-up companies in need of venture capital	As at the Latest Practicable Date, our Group had no business relationship with this Institutional Shareholder	200,000	0.05%
Niraku Corporation* (株式会社ニラク)	Operator of pachinko halls	As at the Latest Practicable Date, our Group had no business relationship with this Institutional Shareholder	1,000,000	0.1%
Try and Trust Co., Ltd.* (株式会社TRY & TRUST)	Operator of pachinko halls	As at the Latest Practicable Date, our Group had no business relationship with this Institutional Shareholder	200,000	0.05%
RD Tek Co., Ltd. (ジュシクフェサ アルディテック)	Developer of software and facilities	This Institutional Shareholder develops software and facilitates for virtual golfing facilities for X-Golf, a wholly-owned subsidiary of DYH and a member of the Remaining DYH Group	600,000	0.1%

HISTORY, DEVELOPMENT AND REORGANISATION

SSOP

On 21 May 2008, DYH established an association* (*minpoujou no kumiai* 民法上の組合), known as DYNAM Supplier Stock Ownership Plan, or the SSOP, under the Civil Code, for the purposes of assisting the game machines and prize suppliers of our Group to benefit from any appreciation in the value of our Shares, consistent with our strategy to maintain and fortify our established relationship with our suppliers. The SSOP is a discretionary trust and is governed by the SOP Guidance issued by Japanese Securities Dealers Association. The SSOP is administered by a board of directors, which is assisted by Mizuho Investor Securities Co., Ltd., an Independent Third Party, as the transfer agent of the SSOP, pursuant to a transfer agent agreement dated 9 January 2009. The SSOP was a DYH Shareholder. As part of our Reorganisation, DYH effected a distribution in specie such that the original DYH Shareholders became the Shareholders of our Company. Upon the completion of our Reorganisation, the SSOP cancelled its entire interests in DYH.

Following the completion of the Global Offering, the SSOP would be interested in 4,772,000 Shares, representing approximately 0.6% of our entire issued share capital (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option).

Membership of the SSOP is open to suppliers of our Group companies. All members of the SSOP are required to make a monthly capital contribution ranging from ¥50,000 to ¥990,000. Aside from the monthly capital contribution, members of the SSOP are required to pay for an annual administration fee of ¥3,000. Pro-rata to the amount of their monthly capital contribution, members are granted with a certain number of entitlement rights. These entitlement rights enable them to benefit from the appreciation in the value of the Shares in our Company. The entitlement rights confer solely a claim to payment in cash, not a right to claim to purchase Shares in our Company. None of the entitlement rights granted by the SSOP are convertible into Shares or any other form of securities in our Company. As at the Latest Practicable Date, the SSOP had granted 4,772,000 entitlement rights, corresponding to 4,772,000 Shares in our Company, to 71 game machine and prize suppliers of our Group (collectively, the “SSOP Grantees” and each a “SSOP Grantee”).

The Shares held by the SSOP are subscribed by making use of the monthly capital contributions of the SSOP Grantees. Our Directors have confirmed that the consideration for such Shares is calculated on an arm’s length basis with reference to the net asset value of our Company (following the completion of our Reorganisation) and DYH (prior to the Reorganisation) at the time of subscription. Dividends associated with such Shares are not distributed to the SSOP Grantees but kept by the SSOP as capital reserve to invest in additional Shares in our Company.

Entitlement rights granted by the SSOP may only be exercised when a member decides to cancel its membership with the SSOP. Upon exercise of the entitlement rights, an SSOP Grantee may claim a cash payment which is the aggregate exercise value of the entitlement rights and the aggregate amount of monthly contribution attributable to the relevant SSOP Grantee. There is no fixed exercise value of the entitlement rights, which is determined by the board of directors of the SSOP from time to time, and the rights to exercise the entitlement rights do not have a specified expiry date.

HISTORY, DEVELOPMENT AND REORGANISATION

Anticipated future claims from the SSOP are covered by provisions. The Shares held by the SSOP rank *pari passu* in all respects with the existing fully paid Shares in issue. Hence, there is no specific right in favour of the SSOP Grantees attached to the Shares held by the SSOP. The SSOP exercises its voting rights in our Company at the sole discretion of the board of directors of the SSOP, who consult with the SSOP Grantees on a regular basis. None of the members of the board of directors of the SSOP is a connected person of our Company.

As at the Latest Practicable Date, no SSOP Grantee had exercised their entitlement rights granted by the SSOP. During the Track Record Period, the SSOP developed as follow:

	As at 31 March			As at the Latest Practicable Date (in our Company)
	2010 (in DYH)	2011 (in DYH)	2012 (in our Company)	
Number of entitlements rights ⁽¹⁾	161,200	217,700	238,600	4,772,000
Newly granted entitlements rights	72,100	56,500	20,900	—
Exercised entitlements rights	—	—	—	—

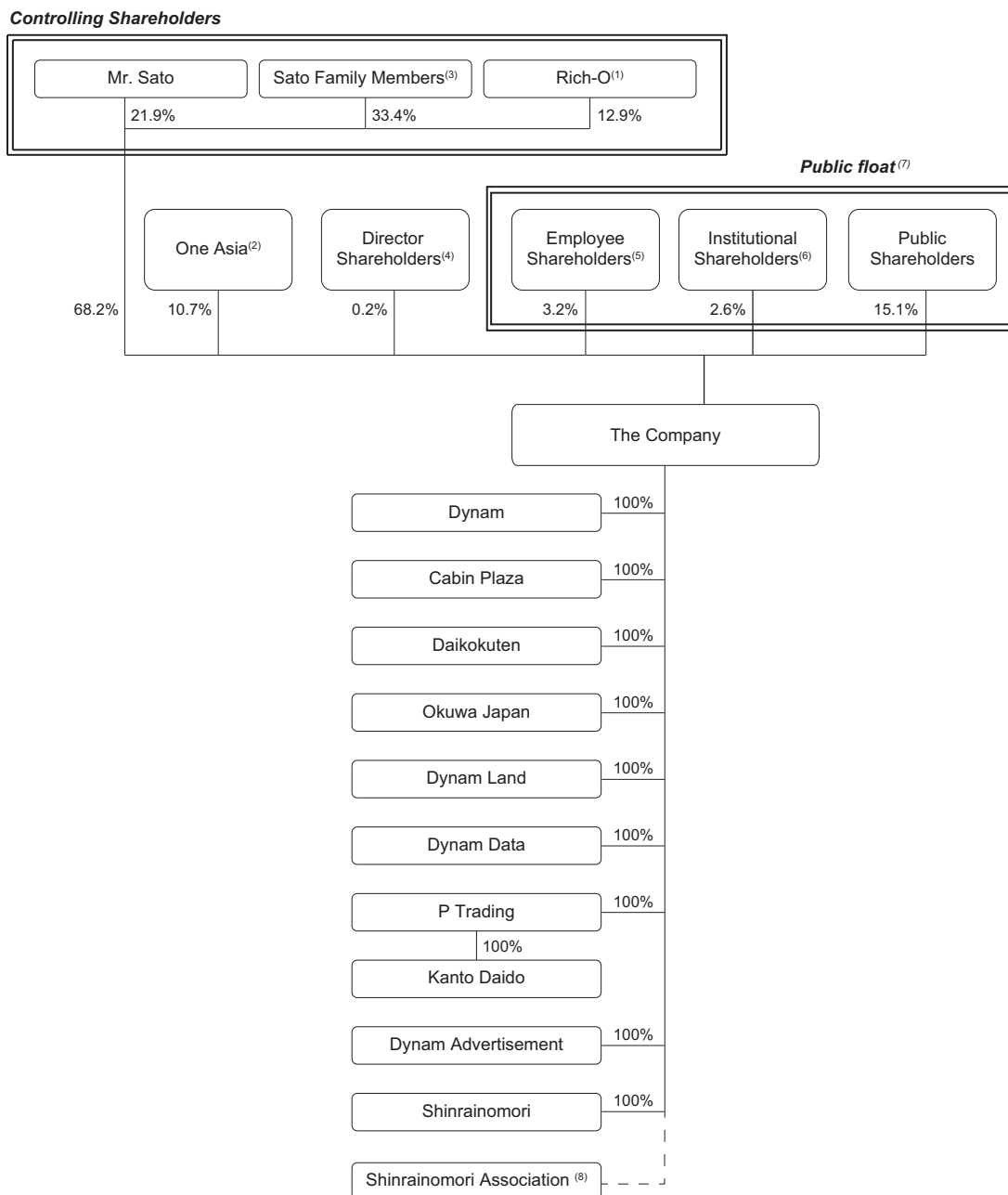
(1) On 21 June 2012, our Company sub-divided each Share in our share capital into 20 Shares. Hence, each entitlement right held by the SSOP Grantees (representing one Share) was sub-divided into 20 entitlement rights (representing 20 Shares) on the same date.

As the SSOP Grantees are not entitled to Shares in our Company upon exercise of their respective entitlement rights, the exercise of the entitlement rights will not dilute the issued share capital of our Company. Hence, the Joint Sponsors and our Directors consider that the above entitlement rights arrangements are not regulated by Chapter 17 of the Listing Rules.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR CORPORATE STRUCTURE

Set out below is our corporate and shareholding structure immediately after the completion of the Global Offering but without giving effect to any exercise of Over-Allotment Option:



(1) Rich-O is 99.9% held by Mr. Sato.

(2) One Asia is a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) established under the GIA/GIF Law by Mr. Sato. The operation and management of One Asia is independent from our Controlling Shareholders and our Controlling Shareholders have no discretion in exercising One Asia's voting rights in our Company. One Asia, being a substantial Shareholder of our Company, is a connected person of our Company. Our Group does not expect to enter into any connected transaction with One Asia after the Listing. The Shares held by One Asia

HISTORY, DEVELOPMENT AND REORGANISATION

are not counted as public Shares. The Shares held by One Asia will be subject to a six-month lock-up undertaking after the Listing. See “Relationship with Controlling Shareholders — Overview — One Asia” for further details on One Asia’s relationship with our Controlling Shareholders.

- (3) The Sato Family members include Mrs. Yaeko NISHIWAKI (sister of Mr. Sato), Mr. Masahiro SATO (brother of Mr. Sato), Mr. Shigehiro SATO (brother of Mr. Sato), Mr. Kohei SATO (brother of Mr. Sato), Mr. Kiyotaka SATO (uncle of Mr. Sato), and Mrs. Keiko SATO (wife of Mr. Sato), each being a family member of, and an associate of, Mr. Sato.
- (4) Our Director Shareholders consist of Mr. Ushijima, Mr. Horiba, Mr. Takano and Mr. Yoshida, each being a Director of our Company and a connected person to our Company and our Controlling Shareholders. Our Director Shareholders will be interested in approximately 0.2% of our entire issued share capital following the completion of the Global Offering (without taking into account any exercise of the Over-Allotment Option). These interests will not be added to the shareholding attributable to the public float.
- (5) Our Employee Shareholders are the ESOP and 38 former and current employees of our Group, each being an Independent Third Party to our Group and our Controlling Shareholders. These Employee Shareholders will be interested in approximately 3.2% of our entire issued share capital following the completion of the Global Offering (without taking into account any exercise of the Over-Allotment Option). These interests will be added to the shareholding attributable to the public float.
- (6) Our Institutional Shareholders consist of the SSOP and 12 corporate entities. They are Independent Third Parties of our Group and of each other. The Institutional Shareholders will be interested in approximately 2.6% of our entire issued share capital following the completion of the Global Offering (without taking into account any exercise of the Over-Allotment Option). These interests will be added to the shareholding attributable to the public float.
- (7) Public float consists of our Shareholders who are not connected with any of our Directors, chief executives, substantial shareholders of our Company, or any of our subsidiaries, or their respective associates (as defined under the Listing Rules).
- (8) Shinrainomori Association is a general incorporated association (*ippan shadan houjin* 一般社団法人) organised under the GIA/GIF Law in Japan which does not involve the concept of shareholding and equity interests. The entire voting rights in Shinrainomori Association are controlled by Dynam, Cabin Plaza, Daikokuten and Okuwa Japan, each being a wholly-owned subsidiary of our Company, which also has the power to appoint all of its directors. Hence, Shinrainomori Association is a subsidiary undertaking of our Company under Schedule 23 of the Companies Ordinance and thus a subsidiary of our Company under the Listing Rules prior to our Reorganisation.