
WAIVERS

In preparation for the Listing, we have applied for, and have been granted by the Stock Exchange, a number of waivers from strict compliance with certain provisions under the Listing Rules. A summary of these waivers are set out in this section below. These waivers have been granted to us, in part, on the basis of the protections available to our Shareholders under the applicable Japan laws and regulations. Further information in relation to the provisions of laws and regulations applicable to us is set out in “Key Japan Legal and Regulatory Matters” and “Appendix V – Summary of our Articles of Incorporation and Japan Corporation Law”.

Some of the waivers applied by us were granted by the Stock Exchange on the basis of circumstances which are specific to us. In the event of any changes to these circumstances (including changes in Japan laws and regulations which form the basis of these waivers), we will notify the Stock Exchange as soon as practicable.

A. COMMON WAIVER

Set out below is the common waiver of general effects that was granted to us by the Stock Exchange under Rule 2.04 of the Listing Rules with the prior consent of the SFC:

Relevant Rule(s) waived	Subject matter	Page No.
Rule 8.12	Sufficient management presence in Hong Kong	106

MANAGEMENT PRESENCE IN HONG KONG

Under Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our Executive Directors must be ordinarily residents in Hong Kong.

Our Group is principally engaged in the business of owning and operating pachinko halls in Japan. The headquarters of our Company are located in Koriyama City (郡山市), Fukushima Prefecture (福島県), Japan, and our operations are managed from our headquarters with pachinko halls located across ten prefectures in Japan. We do not carry out or manage any business activity in Hong Kong.

Our Chairman is the sole Executive Director of our Company. He currently does not, and for the foreseeable future, will not, reside in Hong Kong. Since the main operations of our Group are in Japan, we consider it practically difficult and commercially unviable and unnecessary for our Company to either relocate our Chairman to Hong Kong, or appoint two additional Executive Directors who will ordinarily reside in Hong Kong. We further consider that it is in the best interest of our Company and our Shareholders for our Chairman to attend to his functions and duties in Japan and remain close to our core operations.

WAIVERS

Accordingly, our Company does not have, and does not contemplate in the foreseeable future to have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

In light of the aforesaid, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (a) pursuant to Rules 2.11, 3.05 and 19.36(6) of the Listing Rules, we have appointed two authorised representatives who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Hiroaki KUMAMOTO (熊本浩明) (an Independent Non-executive Director) and Ms. YIU Wai Man Karen (姚慧敏) (one of the joint company secretaries). The authorised representatives will be available to meet with the Stock Exchange on reasonable notice as and when required and will be readily available by telephone, email and facsimile to promptly address the enquiries of the Stock Exchange and their contact details (including mobile phone numbers, residential and office phone numbers and facsimile numbers) have been provided to the Stock Exchange. We will inform the Stock Exchange promptly in respect of any change in the authorised representatives and their alternate(s);
- (b) each of the authorised representatives is duly authorised to communicate on behalf of our Company with the Stock Exchange. The authorised representatives will be able to contact our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matter. Each of our Directors is authorised to communicate on our Company's behalf with the Stock Exchange;
- (c) all Directors have provided their mobile phone numbers, office phone numbers, facsimile numbers and email addresses to the Stock Exchange. Each of our Directors is authorised to communicate on our Company's behalf with the Stock Exchange;
- (d) each of our Directors (including Independent Non-executive Directors) hold valid travel documents such that he will be available to travel to Hong Kong to meet with the Stock Exchange within a reasonable timeframe upon request of the Stock Exchange;
- (e) our Company will retain professional advisers (including legal advisers and accountants) to advise on our on-going compliance obligations and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing;
- (f) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Shenyin Wanguo Capital (H.K.) Limited as our compliance adviser who will have access at all times to the authorised representatives, our Directors and the other senior management of our Company. The compliance adviser will be appointed for a period commencing on the Listing Date and ending on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing; and

WAIVERS

- (g) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser, or directly with our Directors, within a reasonable time frame.

Our Directors and the Sole Sponsor have confirmed that the conditions set out under the appendix to the Joint Policy Statement and the Stock Exchange's Guidance Letter HKEx-GL9-09 in relation to this waiver have been fulfilled.

B. ADDITIONAL WAIVERS

Set out below are the additional waivers that were granted to us by the Stock Exchange based on the circumstances that are specific to us:

Relevant Rule(s) waived	Subject matter	Page No.
Rule 13.70	Announcement of Nomination of Director(s)	108
Paragraphs 2(2), 3(1), 4(2), 4(4), 4(5), 12 and 14 of Appendix 3 to the Listing Rules	Requirements with respect to our Articles	109

ANNOUNCEMENT OF NOMINATION OF DIRECTOR(S)

Rule 13.70 of the Listing Rules requires that an issuer publish an announcement or issue a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the general meeting where such notice is received by the issuer after publication of the notice of meeting. The Note to Rule 13.70 of the Listing Rules further provides that the issuer must assess whether or not it is necessary to adjourn the meeting of the election to give shareholders at least ten business days to consider the relevant information disclosed in the announcement or supplementary circular.

Under article 304 of the Japan Companies Act, a Shareholder is permitted to propose a last minute amendment to the matters included in an existing meeting agenda of a general meeting of our Company without any prior notice if a matter of similar nature is included in the original meeting agenda. Shareholders may propose last-minute amendments to an existing meeting agenda and nominates a person for election as a Director at any time before the relevant general meeting or even at the meeting, if the original meeting agenda includes a proposal of the appointment of a new Director, or Directors, to our Board of Directors. These last-minute amendments are a theoretical mechanism which, according to our Directors' knowledge, is exceptionally rarely put into actual practice in Japan.

WAIVERS

In light of these Japan law provisions, the requirements under Rule 13.70 of the Listing Rules are inconsistent with, and unenforceable under, Japan law if any of our Shareholders proposes last-minute amendments to an existing meeting agenda of our general meetings and nominates a person for election as a Director. On such basis, we have applied for, and the Stock Exchange has granted us, a partial waiver from strict compliance with Rule 13.70 of the Listing Rules on the conditions that:

- (a) we will use all means and resources reasonably available to us to make an announcement to inform our Shareholders as soon as reasonably practicable upon receipt of last-minute amendments to an existing meeting agenda on the election and/or re-election of Director(s), so long as it is made before the date of the relevant general meeting; and
- (b) we will publish the above announcement on the Stock Exchange's website and the website of our Company in English and Chinese.

The partial waiver referred to above only applies to circumstances where a Shareholder, pursuant to the Japan Companies Act, proposes last-minute amendments to an existing meeting agenda of our Company's general meetings and nominates a person for election as a Director. On all other occasions, we will comply with the requirements under Rule 13.70 of the Listing Rules.

Our Directors and the Sole Sponsor have confirmed that the Stock Exchange's approach set out in the Country Guide with respect to Rule 13.70 of the Listing Rules is adopted. Our Company considers that the protections afforded to our Shareholders, considering the voluntary measures set out above in place, will be comparable to the relevant requirements under the Listing Rules.

ARTICLES OF INCORPORATION

Appendix 3 to the Listing Rules provides that the articles of association or equivalent document of an issuer must conform with the provisions set out in that appendix and, where necessary, a certified copy of a resolution of the board of directors or other governing body undertaking to comply with the appropriate provisions must be lodged with the Stock Exchange.

Our Articles do not contain equivalent provisions in compliance with certain requirements under Appendix 3 to the Listing Rules on the basis that the protections afforded to our Shareholders are comparable to those available under the Listing Rules pursuant to those requirements. Set out below are the comparable shareholders protections offered under the Japan regime of each of the relevant requirements under Appendix 3 to the Listing Rules and any difference between the Japan legal and regulatory requirements and the requirements under the Listing Rules.

WAIVERS

Definitive certificates

Paragraph 2(2) of Appendix 3 to the Listing Rules provides that where the power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed.

Our Articles contain no equivalent provision. The concept of share warrants was abolished with the introduction of the Japan Companies Act in 2006. Our Company may issue SARs in lieu of share warrants and we may issue certificates representing SARs. Under Japan law, any holders of SARs who have lost certificates may not request the re-issue of their certificate unless they have obtained a decision for invalidation by a court of justice in Japan as provided under article 106(1) of the Non-contentious Cases Procedures Act* (非訟事件手続法) of Japan (Act No. 51 of 2011), in accordance with article 291 of the Japan Companies Act.

We consider that the protections afforded to our Shareholders under the Japan law provisions above are comparable to those available under paragraph 2(2) of Appendix 3 to the Listing Rules.

Dividends

Paragraph 3(1) of Appendix 3 to the Listing Rules provides that any amount paid up in advance of calls on any share may carry interest, but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

Our Articles contain no equivalent provision. Under Japan law, there is no concept of amounts paid up in advance of calls on shares. Articles 208 and 209 of the Japan Companies Act provide that all consideration due for shares issued by a Japanese company must be paid in full on their issue, at which point the party subscribing for such shares will become entitled to dividends declared by that company on record dates on or after such issue.

We consider that, under Japan law, there are no circumstances under which paragraph 3(1) of Appendix 3 to the Listing Rules would apply to us since amounts may not be paid in advance of calls on our Shares.

Casual vacancy

Paragraph 4(2) of Appendix 3 to the Listing Rules provides that any person appointed by the directors to fill a casual vacancy on the board must hold office only until the following annual general meeting and will then be eligible for re-election.

Our Articles contain no equivalent provision. Under article 329 of the Japan Companies Act, a vacant directorship may only be filled following a vote of shareholders in a general meeting. If the vacancy causes the number of appointed directors to fall below the number of directors

WAIVERS

required either under the articles of incorporation* (定款) or the Japan Companies Act, the remaining director(s) must without delay convene a general meeting to appoint additional director(s). Failure to do so will subject the remaining director(s) to a maximum fine of ¥1 million.

Under the Japan Companies Act, a minimum of three Directors are required to be appointed. Under our Articles, the number and composition of our Board must at all times comply with the relevant requirements under the Listing Rules (such as the requirement to appoint at least three Independent Non-executive Directors under Rule 3.10(1) of the Listing Rules). Upon Listing, when the number and composition of our Board fall short of the requirements under the Listing Rules, the remaining Directors will without undue delay convene a general meeting to appoint additional Director(s) in accordance with our Articles and the Japan Companies Act.

In addition, under limited circumstances, the court may appoint a person to fill up a vacant directorship on a temporary basis under the Japan Companies Act. Our Articles provide that any Director so appointed by the court shall hold office only until the following AGM.

We consider that, under Japan law, there are no circumstances under which paragraph 4(2) of Appendix 3 to the Listing Rules would apply to us as no person shall be appointed by our Directors to fill a casual vacancy under the Japan Companies Act.

Nomination of Director(s)

Paragraph 4(4) of Appendix 3 to the Listing Rules provides that the minimum length of the period for notice to propose a person for election as a director and that person to notify the issuer of his willingness to be elected, must be at least seven days. Paragraph 4(5) of Appendix 3 to the Listing Rules provides that period for lodgement of the notices referred to in paragraph 4(4) shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Our Articles contain no equivalent provision. Under the Japan Companies Act, a Shareholder is permitted to propose a last-minute amendment to the matters included in an existing meeting agenda of a general meeting of our Company without any prior notice if a matter of similar nature is included in the original meeting agenda. Shareholders may propose last-minute amendments to an existing meeting agenda and nominates a person for election as a director at any time before the relevant general meeting or even at the meeting, if the original meeting agenda includes a proposal of the appointment of a new Director, or Directors, to our Board of Directors. These last-minute amendments are a theoretical mechanism which, according to our Directors' knowledge, is exceptionally rarely put into actual practice in Japan.

In light of these Japan law provisions, the requirements under paragraphs 4(4) and 4(5) of Appendix 3 of the Listing Rules are inconsistent with, and unenforceable under, Japan law if any of our Shareholders proposes last-minute amendments to an existing meeting agenda of the general meetings of our Company and nominates a person for election as a Director.

WAIVERS

We have adopted the following voluntary measures to afford our Shareholders protections comparable to those available under paragraphs 4(4) and 4(5) of Appendix 3 to the Listing Rules:

- (a) we will use all means and resources reasonably available to us to make an announcement to inform our Shareholders as soon as reasonably practicable upon receipt of a proposal to make last-minute amendment to an existing meeting agenda on the election and/or re-election of Director(s), so long as it is made before the date of the relevant general meeting; and
- (b) we will publish the above announcement on the Stock Exchange's website and the website of our Company in English and Chinese.

Our Directors and the Sole Sponsor have confirmed that the Stock Exchange's approach as set out in the Country Guide with respect to paragraphs 4(4) and 4(5) of Appendix 3 to the Listing Rules is adopted. Our Company considers that the protections afforded to our Shareholders, considering the voluntary measures in place, will be comparable to the relevant requirements under the Listing Rules.

Disclosure of Interests

Paragraph 12 of Appendix 3 to the Listing Rules provides that no power shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the company.

Our Articles contain no equivalent provision. Under Japan law, there are no circumstances where a company would be empowered to take action on a shareholder's failure to disclose their interests to the company. As such, any amendment made to our Articles pursuant to this requirement will be redundant and unnecessary under Japan law.

Untraceable members

Paragraph 13(1) of Appendix 3 to the Listing Rules provides that an issuer must not stop sending dividend warrants by post until these warrants are left uncashed on two consecutive occasions. However, an issuer may stop sending dividend warrants after the first occasion on which one is returned undelivered.

Under article 196(1) of the Japan Companies Act, in cases where notices (including dividend warrants) have not reached a Shareholder for five consecutive years, our Company is no longer required to give notices to the relevant Shareholder. Instead, the Shareholder shall collect the notices (including dividend warrants) from our Company at our registered office.

We consider that the protections afforded to our Shareholders under the Japan law provisions above are comparable to those available under paragraph 13(1) of Appendix 3 to the Listing Rules.

WAIVERS

Material interests in a transaction

Paragraph 14 of Appendix 3 to the Listing Rules provides that, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or resolution shall not be counted.

Our Articles contain no equivalent provision. Under Japan law, a company shall not amend its constitutional document to restrain or restrict its shareholders, including controlling shareholders, from voting on any particular resolution. Each Shareholder is, in general, entitled to a single vote for each Share he holds in our Company and we may not restrict this right in the circumstances provided under the Listing Rules and the Takeovers Code.

To afford our Shareholders protections comparable to those available under paragraph 14 of Appendix 3 to the Listing Rules, our Shareholders have resolved to adopt the following alternative provisions in our Articles:

“Where a transaction or arrangement or contract or other matter is required to be approved by our Shareholders under the Listing Rules and/or the Takeovers Code:

- (a) a general meeting shall be convened to seek our Shareholders’ approval of such matter;
- (b) our Hong Kong Share Registrar shall count the votes casted at the said general meeting in accordance with the criteria and requirements under the Japan Companies Act;
- (c) we shall appoint our compliance adviser or another independent financial or legal adviser to review the votes counted by our Hong Kong Share Registrar and confirm that the resolution would have been successfully passed if the votes cast had excluded the votes of our Shareholders that would otherwise be required to be abstained or otherwise uncounted under the Listing Rules and/or the Takeovers Code; and
- (d) the Shareholders’ approval referred to in item (a) above and the confirmation referred to in item (c) above shall be made conditions precedent in the relevant transaction agreement and we shall implement such matter only if both conditions have been satisfied.”

We consider that the alternative provisions in our Articles set out above will allow us to comply with (i) the abstention requirements under Rule 2.15 of the Listing Rules and other relevant requirements under the Listing Rules which specifically apply these abstention requirements; and (ii) the abstention requirements under the Takeovers Code with respect to transactions that require independent Shareholders’ approval.

WAIVERS

Further details on our voluntary abstention process with regard to voting in a general meeting are set out in “Key Japan Legal and Regulatory matters – B. Shareholders’ Meetings – Material Interests in a Transaction”. Our Directors and the Sole Sponsor have confirmed that the Stock Exchange’s approach as set out in paragraphs 6.2 to 6.5 of the Country Guide is adopted. Our Company considers that the protections afforded to our Shareholders, considering the alternative provisions in our Articles in place, will be comparable to the relevant requirements under the Listing Rules.

Waiver

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with paragraphs 2(2), 3(1), 4(2), 4(4), 4(5), 12 and 14 of Appendix 3 to the Listing Rules on the basis that the protections available to our Shareholders under, as the case may be, the Japan law provisions, our Articles and/or the voluntary measures adopted by us are comparable to those available under the relevant requirements under the Listing Rules on the conditions that our Directors and the Sole Sponsor have confirmed that they are of the view that:

- (a) the substantive differences between our Articles and paragraphs 2(2), 3(1), 4(2), 4(4), 4(5), 12 and 14 of Appendix 3 to the Listing Rules (given, as the case may be, the Japan law provisions, alternative provisions adopted in our Articles, and the voluntary measures put in place by us) are not material; and
- (b) the level of protections under our Articles, the Japan Companies Act and all other applicable legislations, regulations, regulatory guidance and practices in Japan taken as a whole is largely commensurate to the shareholders’ protections provided under paragraphs 2(2), 3(1), 4(2), 4(4), 4(5), 12 and 14 of Appendix 3 to the Listing Rules (given, where applicable, the voluntary measures put in place by us), and any residual difference between our Articles and Appendix 3 to the Listing Rules are prominently disclosed in this Prospectus.