株式会社ニラク・ジー・シー・ホールディングス

NIRAKU GC HOLDINGS, INC.*

(Incorporated in Japan with limited liability 於日本註冊成立的有限公司)

Stock Code 股份代號 : 1245

2015
ANNUAL REPORT
年報

* For identification purpose only
僅供識別

Contents

Corporate Information

Board of Directors	
Executive Director	Mr. Hisanori TANIGUCHI *(Chairman)* (also known as Mr. JEONG Seonggi)
Independent Non-Executive Directors	Mr. Hiroaki MORITA Mr. Norio NAKAYAMA Mr. Masaharu TOGO Mr. Hiroaki KUMAMOTO
Audit Committee	Mr. Hiroaki KUMAMOTO *(Committee Chairman)* Mr. Hiroaki MORITA Mr. Norio NAKAYAMA
Remuneration Committee	Mr. Norio NAKAYAMA *(Committee Chairman)* Mr. Hiroaki MORITA Mr. Hisanori TANIGUCHI
Nomination Committee	Mr. Hiroaki MORITA *(Committee Chairman)* Mr. Masaharu TOGO Mr. Hisanori TANIGUCHI
Principal Bankers	Mizuho Bank Sumitomo Mitsui Bank Corporation The Toho Bank, Ltd.
Auditor	PricewaterhouseCoopers
Compliance Adviser	Shenyin Wanguo Capital (H.K.) Limited
Legal Adviser	Deacons
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Principal Place of Business in Hong Kong	505, 5/F Hutchison House, 10 Harcourt Road, Central, Hong Kong
Headquarter in Japan and Registered Office	1-1-39 Hohaccho Koriyama-shi, Fukushima, Japan 963-8811
Stock Code	1245
Investor and Media Relations Consultant	Strategic Financial Relations Limited
Website	www.ngch.co.jp
Inquiry	e-mail: niraku@sprg.com.hk

Corporate Information

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

Since opening the door of our first pachinko hall to our customers in 1950, we have stood by our corporate slogan of "Happy Time Creation", placing primary focus on customer experience and goodwill. Our emphasis of customer experience, together with our scale of operation, has allowed us to adapt to changing industry trends and customer preferences throughout our operating history and continually develop into an operator of 57 pachinko halls with more than 28,700 pachinko and pachislot machines serving our customers in ten prefectures** in Japan.

* based on gross pay-ins according to Entertainment Business Institute "**EBI**".

** The ten prefectures includes: : (1) in the Tōhoku Region (東北地方): Fukushima Prefecture (福島県), Miyagi Prefecture (宮城県) and Yamagata Prefecture (山形県); (2) in the Kantō Region (関東地方): Tokyo (東京都), Ibaraki Prefecture (茨城県), Gunma Prefecture (群馬県), Kanagawa Prefecture (神奈川県), Tochigi Prefecture (栃木県) and Saitama Prefecture (埼玉県); and (3) in the Ch ū bu Region (中部地方): Niigata Prefecture (新潟県).

Corporate Information

BUSINESS MILESTONES

Business milestones in our 60 years of heritage

Year	Event
1954	Opened first hall in Koriyama City, Fukushima Prefecture, under the “NIRAKU” brand
1969 August	Established our first corporate entity, Niraku Shoji Corporation (Nakano Ward, Tokyo)
1979 July	The “Niraku Hall” was refurnished and renamed as “Daiwa”. Opened “Koriyama City Hotel”.
1980s	Opened four halls in Fukushima Prefecture (three of them are in Koriyama City).
1992 August	Opened the 10th hall in Nakano Shimbashi.
1990–1997	Opened additional 10 halls in this period.
1998 August	Changed the company name to “NIRAKU CORPORATION”.
2001	We embark on our suburban hall strategy — opened 5 suburban halls during this year.
2002	We unified the branding of halls to “NIRAKU”.
2002–2005	Opened additional fifteen halls during this period.
2006–2010	Opened sixteen new halls in Tokyo, Fukushima Prefecture and their neighbouring and conjoining prefectures during this period.
2010 February	Established “NIRAKU MERRIST CORPORATION”, a subsidiary focusing on employing people with disability.
2011 May	Opened the 50th hall in Koriyama Arai, Fukushima Prefecture.
2013 January	Our Company, “NIRAKU GC HOLDINGS, INC.” was established.
2013 April	“NIRAKU GC HOLDINGS, INC.” becomes holding company of our Group.
2014 October	Opened our first Spanish restaurant in Tokyo under the brand “LIZARRAN”.
2015 April	Listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 1245).
2015 April	Opened two halls in Northeast Honshu. Total number of halls: 57 halls.

Financial Highlights

The following table summarises the results of the Group for the financial year ended 31 March 2012 to the financial year ended 31 March 2015.

For the year ended 31 March	**2015** ¥ million	**2015** HK$ million	2014 ¥ million	2014 HK$ million	2013 ¥ million	2012 ¥ million
Gross pay-ins	**175,592**	**11,350**	236,449	17,805	242,217	224,968
Gross payouts	**(143,473)**	**(9,274)**	(203,455)	(15,320)	(210,298)	(195,340)
Revenue from pachinko and pachislot business	**32,119**	**2,076**	32,994	2,485	31,919	29,628
Other revenue	**767**	**50**	853	64	832	724
Revenue	**32,886**	**2,126**	33,847	2,549	32,751	30,352
Profit before tax	**4,994**	**323**	6,008	452	6,485	6,307
Profit attributable to owners of the Company	**3,030**	**196**	3,698	278	3,765	3,329

As at 31 March	**2015** ¥ million	**2015** HK$ million	2014 ¥ million	2014 HK$ million	2013 ¥ million	2012 ¥ million
Current assets	**14,734**	**952**	11,969	901	9,860	14,848
Current liabilities	**11,120**	**719**	8,951	674	10,737	16,012
Net current assets/(liabilities)	**3,614**	**234**	3,018	227	(877)	(1,164)
Total assets	**50,977**	**3,295**	46,905	3,532	42,194	45,183
Total assets less current liabilities	**39,857**	**2,576**	37,954	2,858	31,457	29,171

		As at 31 March			
Number of halls by hall type	**As at date of this Annual Report**	**2015**	2014	2013	2012
Suburban	**48**	**46**	44	43	42
Urban	**9**	**9**	9	9	8
Total	**57**	**55**	53	52	50

Financial Highlights

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this annual report, certain amounts denominated in Japanese Yen ("JPY") are translated into Hong Kong dollars at the rates (as the case may be) described below:

1. ¥15.47 to HK$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015); or

2. ¥13.28 to HK$1.00, the exchange rate prevailing on 31 March 2014 (i.e. the last business day in March 2014).

No representation is made that the amounts in JPY could have been, or could be, converted into Hong Kong dollars, or vice versa, at such rates or at any other rates on such date or on any other dates.

Chairman's Statement

To our shareholders

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of NIRAKU GC HOLDINGS, INC. ("NIRAKU" or the Company, together with its subsidiaries, the "Group") for the year ended 31 March 2015.

With this being our first annual report since NIRAKU's listing on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx"), we would like to take this opportunity to express our sincere gratitude to all those involved in helping us realise this important milestone. This achievement is significant to us on multiple levels, as it enables us to access one of the top ten stock exchanges in the world; increases our exposure to investors and other companies in the gaming sector; and leverages shareholders' support to advance our development objectives now and in the future.

Ever since our founding back in the 1950's, we have focused on delivering enjoyable experiences to customers, hence our corporate slogan, "Happy Time Creation". With our listing in Hong Kong, together with our leading market position in Japan, where NIRAKU is the fourth largest pachinko operator in the country, we will be able to achieve so with added momentum. Continuing our growth strategy, we will strive to enhance our presence in Northeast Honshu — one of the most affluent and populous regions of Japan. Our strategic geographic focus will make further inroads into Northeast Honshu, particularly in suburban locations where the majority of our pachinko halls are located, and consequently, where the majority of the Group's revenue is derived. The Group's strong presence in suburban areas enables us to reap a number of benefits, including lower land costs; relatively less competition compared with halls in urban areas as residents in suburban usually have less gaming and entertainment options; more stable customer base as the local suburban populations, which mainly consists of retirees, factory worker and self-employed, typically have more free time dispersed throughout the day; and expected growth of population of workers, resulting from more companies opening industrial parks in suburban areas.

Our presence and results of operations in Fukushima Prefecture clearly highlights NIRAKU's ability to seize and prosper from the aforementioned benefits. Since the Great East Japan Earthquake of 2011, Fukushima's working population and hence, our customer base, has risen noticeably as rebuilding efforts have intensified. Along with the rise in population of workers was the demand for entertainment including pachinko and pachislot, as such establishments allow individuals to enjoy a sense of community, which is particularly valued in Japanese culture. In turn, our revenue increased to a level that is higher than the period preceding the earthquake. Our operation in Fukushima now accounts for more than 40% of our total revenue. We will therefore enhance our presence in this important market in the coming years.

Chairman's Statement

MOVING FORWARD

Going forward, we will further increase our presence in Northeast Honshu. We plan to open 5 new halls by the year ended 31 March 2017. Regarding our urban hall operation, we will further enhance this area of business through effective marketing strategies, minor hall renovations, adjusting machine mix (in terms of carrying cost and variety in items), and when necessary, closure of underperforming halls. Complementing both suburban and urban hall operations will be the launch of an online general prize redemption system. This system will offer a wider range of general prizes and associated delivery service, thus enabling customers to enjoy a high level of convenience, which should also result in improved redemption rate of general prize including employing a centralised management system to realise greater cost savings. In addition, we will continue to invest in information technologies that allow us to enhance internal controls, raise security, and assist in procurement, analysis and budgeting related decision making.

As we continue to bolster all aspects of operation and enhance our presence in the Japanese pachinko and pachislot market, we will at the same time be fully committed to delivering fair returns to our shareholders. Hence, we have established a dividend policy which we will payout no less than 30% of the consolidated net profit attributable to shareholders of the Group.

APPRECIATION

At this time, I wish to extend my appreciation to management for their diligence and dedication, particularly during the preparation for listing on the HKEx. The entire NIRAKU workforce must also be applauded for their hard work over the past year. I would also like to express my gratitude on behalf of NIRAKU to all of our business partners, shareholders and customers for their support.

Hisanori TANIGUCHI
Chairman of the Board, Executive Director and
Chief Executive Officer

Hong Kong, 21 May 2015

Management Discussion and Analysis

We are pleased to deliver our first set of annual results following our listing on the HKEx in April 2015.

PACHINKO AND PACHISLOT REVENUE

The table below sets forth the pachinko and pachislot revenue and revenue margin by types of halls:

For the year ended 31 March	**2015** **¥ million**	2014 ¥ million	Change %
Gross pay-ins			
Suburban halls	**163,365**	219,455	(25.6%)
Urban halls	**12,227**	16,994	(28.1%)
Total gross pay-ins	**175,592**	236,449	(25.7%)
Gross payouts			
Suburban halls	**133,760**	189,003	(29.2%)
Urban halls	**9,713**	14,452	(32.8%)
Total gross payouts	**143,473**	203,455	(29.5%)
Revenue			
Suburban halls	**29,605**	30,452	(2.8%)
Urban halls	**2,514**	2,542	(1.1%)
Total revenue	**32,119**	32,994	(2.7%)
Revenue margin			
Suburban halls	**18.1%**	13.9%	4.2%
Urban halls	**20.6%**	15.0%	5.6%
Overall revenue margin$^{\Delta}$	**18.3%**	14.0%	4.3%

$^{\Delta}$ revenue margin is calculated as gross pay-ins less gross payouts, divided by gross pay-ins.

Gross pay-ins

Gross pay-ins represents the amount received from customers for renting pachinko balls and pachislot tokens. The decrease in gross pay-ins in our halls by ¥60,857 million, or 25.7%, from ¥236,449 million in 2014 to ¥175,592 million in 2015, was mainly due to decrease in player traffic which led to decrease in utilization of machines. The decrease was a result of (i) the increase in consumption tax from 5% to 8% with effect from 1 April 2014, which had a negative impact on consumer spending in general and (ii) the new policy of imposing mark-ups ranging from 2% to 20% (with an average of around 10%) on G-prize redemption. The intention of imposing G-prize mark-up was to raise the revenue (by reducing gross payouts) to mitigate the adverse effect from the increase in consumption tax rate on profitability. This new approach increased the revenue margin but at the same time discouraged those players who sought higher payouts from playing at halls of the Group.

Management Discussion and Analysis

Gross payouts

Gross payouts represents the aggregate cost of G-prizes and general prizes exchanged by our customers. The decrease in gross payouts in both suburban and urban halls by ¥59,982 million, or 29.5%, from ¥203,455 million in 2014 to ¥143,473 million in 2015, generally followed the trend of their respective gross pay-ins.

Revenue and revenue margin

Revenue from pachinko and pachislot hall operations declined by ¥875 million, or 2.7%, from ¥32,994 million in 2014 to ¥32,119 million in 2015. As a result of imposing G-prize mark-ups on prize redemption from 1 April 2014 onwards as mentioned above, the average revenue margin rose from 14.0% to 18.3%, which helped lessen the drop in revenue from pachinko and pachislot hall operations to only 2.7%, despite the fact that our gross pay-ins decreased by 25.7% during 2015.

Revenue from Vending Machine, Hotel and Restaurant Operations

Revenue from vending machine and hotel operations represent 2.3% (2014: 2.5%) of total revenue in 2015. Vending machine income dropped from ¥704 million in 2014 to ¥592 million in 2015 resulted from fall in hall traffic, as a portion of the vending machine income is from sharing of gross revenue of such vending machines.

Income from hotel operations grew steadily from ¥149 million in 2014 to ¥154 million in 2015 as a result of increase in occupancy rate from 80% in 2014 to 81% in 2015.

The first restaurant under the brand 'LIZARRAN' opened in October 2014. Revenue derived from this restaurant amounted to ¥21 million in 2015.

Other Income

Other income increased by ¥661 million, from ¥378 million in 2014 to ¥1,039 million in 2015 mainly due to the compensation of ¥590 million received from Tokyo Electric Power Company for the massive earthquake and tsunami that occurred on 11 March 2011.

Hall Operating Expenses

In line with the expansion of pachinko hall network, the Group's hall operating expenses increased by ¥184 million, or 0.8%, from ¥22,798 million in 2014 to ¥22,982 million in 2015. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and rental expenses, which amounted to ¥8,399 million, ¥4,841 million and ¥2,471 million, respectively. The increase in 2015 was mainly driven by the expansion of pachinko hall network.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by ¥700 million, or 15.1%, from ¥4,636 million in 2014 to ¥5,336 million in 2015. The increase was primarily due to the expenses incurred in the initial public offering of ¥700 million.

Finance Costs

Finance costs decreased by ¥70 million, or 10.2%, from ¥686 million in 2014 to ¥616 million in 2015. The decrease was primarily attributable to the increase in other interest income from construction fund of ¥61 million.

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 March 2015, the Group recorded gross pay-ins amounted to ¥175,592 million while gross payouts totalled ¥143,473 million, compared to ¥236,449 million and ¥203,455 million for the year ended 31 March 2014, respectively. For the year ended 31 March 2015, the Group generated total revenue of ¥32,886 million (2014: ¥33,847 million), while the revenue margin for pachinko and pachislot business stood at 18.3% (2014: 14.0%). Net profit for the year ended 31 March 2015 amounted to ¥3,030 million (2014: ¥3,698 million), and earnings per share were ¥3 (2014: ¥4).

Market Situation

Pachinko is one of the most popular forms of entertainment for adults in Japan and has a dominant position in Japan's gaming sector and was the largest gaming segment; yet it is highly competitive and fragmented. There are 11,893 pachinko halls in Japan as at 31 December 2013, which was operated by 3,818 pachinko hall operators. Among them, only 162 operators have more than 10 halls, and only 49 of them have more than 20 halls. From 2003 onwards, the industry has witnessed a gradual decline in gross pay-ins due to the development of other entertainment offerings, such as video games, the internet and mobile entertainment. Gross pay-ins for the pachinko industry is projected to contract at a compound rate of 1.8% from 2014 to 2018 while the population of pachinko players is also projected to drop from 14.2 million to 11.1 million in the same period.

Our Strategies

In light of the market situation, the Group has and will continue to place its primary business focus in suburban halls. The Group has been successfully operating its suburban halls in Northeast Honshu (本州島東北) (especially Fukushima Prefecture (福島県) and its neighboring prefectures) in a cost-efficient and strategic manner in line with its centralised management strategy. As at the date of this annual report, there are 48 suburban halls in operation (representing an increase of 5 halls from 43 suburban halls in the start of 2014) and they remain the main revenue driver. Suburban halls generated revenue of ¥29,605 million from pachinko and pachislot business, representing 92.2% of the Group's revenue from pachinko and pachislot business.

The management believes certain characteristics of suburban areas, namely (i) lower land cost, (ii) fewer entertainment options available, (iii) generally more stable customer base; and (iv) potential rise in playing population due to the trend of building industrial park in suburban areas will continue to benefit the operation of suburban halls in the future. It is expected that the performance of suburban halls will continue to be pivotal to the Group in the coming future.

As at the date of this annual report, 9 out of the 57 halls of the Group are urban halls, which in aggregate contributed less than 8.0% of the revenue for the year ended 31 March 2015 (31 March 2014: 7.7%). Despite the increasingly difficult operating environment compounded by the higher land cost, fierce competition and relatively less stable customer base, the Group will continue to optimise urban hall operation to maximise its return. Going forward, two urban halls in Tokyo (東京都) which were loss-making is intended to be closed down by the end of 2015. For other urban halls, the Group will implement more effective marketing strategies, fine tune their machine mixes and also perform minor hall renovations, in order to revitalise player interest and provide better playing experiences. The Group also intend to reduce operational costs of these halls by purchasing second-hand machines. Ultimately, the Directors expect their results will be improved after the above-mentioned steps are taken. Nevertheless, we will continue to review the performance of urban halls and rationalise our operation accordingly.

Management Discussion and Analysis

Other Businesses

Aside from operating pachinko and pachislot business, the Group also engaged in hotel and restaurant businesses. The Koriyama City Hotel in Koriyama City, Fukushima Prefecture, has been in operation since 1979. Located near the Koriyama railway station, the 11-storey budget hotel has a gross floor area of 2,944.38 square metres and 84 guest rooms. For the year ended 31 March 2015, Koriyama City Hotel generated revenue of ¥154 million (2014: ¥149 million). With regards to the restaurant operation, the Group entered into an exclusive franchise agreement with Comess Group De Restauración S.K. in December 2013 for the rights to open a network of "LIZARRAN" Spanish restaurants in Japan. The first and flagship LIZARRAN restaurant was opened on 15 October 2014 in Tokyo and contributed to ¥21 million of revenue in 2015.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity and financial resources

The Group is the fourth largest pachinko hall operator in Japan and the largest in Fukushima Prefecture in 2013 and has been financially sound throughout the year ended 31 March 2015.

Net current assets of the Group totalled ¥3,614 million as at 31 March 2015 (31 March 2014: ¥3,018 million), and current ratio was 1.33 as at 31 March 2015 (31 March 2014: 1.34). As at 31 March 2015, there were cash of ¥9,480 million (2014: ¥8,409 million), in which ¥9,408 million is denominated in Japanese Yen and ¥72 million is denominated in Hong Kong dollars. The Group had total borrowings of ¥21,115 million (31 March 2014: ¥19,998 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥5,816 million (31 March 2014: ¥5,362 million).

The Group's bank borrowings, comprising bank loans, syndicated loans and bonds, amounted to ¥15,248 million (31 March 2014: ¥12,379 million). As at 31 March 2015, the average effective interest rates on bank borrowings ranged from 2.0% to 2.6% (31 March 2014: 1.4% to 2.7%) per annum. Approximately 57% of bank borrowings as at 31 March 2015 were fixed rate borrowings.

The Group's debts were all denominated in Japanese Yen. As the Group's principal business activities are carried out in Japan, the Group does not have any material foreign exchange exposure.

While the Group relied on a mix of short-term and long-term borrowings, in addition to the proceeds from the global offering, to finance opening of new pachinko halls and operations, good relationships has been maintained with banks that provided such financing and the Group has not experienced any difficulties in repaying borrowings.

Gearing Ratio

The gearing ratio, defined as the aggregate of interest-bearing loans and obligations under finance leases, divided by total equity, was 92.4% as at 31 March 2015 (31 March 2014: 91.7%). The slight increase of 0.7% as compared with that of the year ended 31 March 2014 was mainly due to increase of total borrowings of ¥1,117 million.

Management Discussion and Analysis

CAPITAL STRUCTURE

Principal sources of funds of the Group are cash generated from operations, various short-term and long-term bank borrowings and bond issues. The liquidity of the Group is generally assessed on these items. Primary liquidity requirements of the Group are to finance working capital, fund the payment of interest and principal on borrowings and bonds, and fund capital expenditures and the growth and expansion of operations. Going forward, the current approach of (i) relying principally on internally-generated cash flows for working capital and other liquidity requirements, and (ii) using the proceeds from the global offering and bank borrowings as well as bond issues as capital resources to finance expansion plans is expected to continue. The amount and type of borrowings the Group may obtain in the future depends on (i) the actual capital need, (ii) the cost of financing, (iii) the progress of implementation of our hall opening plan and (iv) our financial performance, among other factors, from time to time.

Indebtedness

The Group had total borrowings of ¥21,115 million (31 March 2014: ¥19,998 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥5,816 million (31 March 2014: ¥5,362 million). Please refer to notes 28 and 29 to the consolidated financial statements for details of maturity profile for these balances.

Hedging of floating rate borrowings

Eleven floating to fix interest rate swap contracts were entered into with four banks in Japan (i.e. the Group pays fixed rate and receive floating rate) during the year ended 31 March 2015. These interest rate swaps were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rate of some of the Group's loan is on a floating rate basis, by entering into a floating interest to fixed interest rate swap contracts, the finance cost can be locked at a fixed interest rate.

CAPITAL EXPENDITURE

Capital expenditure mainly comprised of expenditure for (i) the purchase of property, plant and equipment mainly used for construction of buildings, or (ii) the acquisition of equipment and tools for the expansion and maintenance of our pachinko and pachislot hall operations. Capital expenditure was also incurred for the addition for an investment property during the year ended 31 March 2015. The table below shows a breakdown of the capital expenditure for the indicated years:

For the year ended 31 March	**2015**	2014
	¥ million	¥ million
Property, plant and equipment	**3,555**	5,049
Investment properties	**20**	21
Others	**53**	34
Total capital expenditures	**3,628**	5,104

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 March 2015, bank deposits of ¥1,100 million (31 March 2014: ¥1,100 million) and certain property, plant and equipment of ¥7,991 million (31 March 2014: ¥7,902 million) were pledged as securities for the bank borrowings.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2015 and 31 March 2014.

CAPITAL COMMITMENTS AND FUTURE CAPITAL EXPENDITURES

Details of the Group's capital commitments as at 31 March 2015 and 31 March 2014 are set out in Note 33(a) to the consolidated financial statements. Going forward, as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 24 March 2015 ("Prospectus"), the Group plans to open no less than five pachinko halls by 31 March 2017 and invest in its IT system to enhance efficiency. It is estimated that the implementation of such plan will require a minimum capital investment of ¥341 million in the year ending 31 March 2016 and such will be funded by the proceeds from the global offering and internal resources of the Company.

ACQUISITION AND DISPOSAL

For the year ended 31 March 2015, there was no material acquisition and disposal of our subsidiaries.

SIGNIFICANT INVESTMENTS

Save for the new halls opened, there was no significant investments made during the year ended 31 March 2015.

INVESTMENT PROPERTIES

The Group's investment properties are comprised of the following:

(i) Nomurasyoken Building (address: 104 and other tracts, Ekimae 2-chome, Koriyama-shi, Fukushima-ken, Japan 野村證券ビル, 福島県郡山市駅前, 二丁目104番外) — an eight storey office building in Koriyama city in the vicinity of Koriyama train station. The Group owns the entire interest of this property including the building and the piece of land on which the property is situated. The property is held freehold.

(ii) Nikku Club Omori Building (address: Nikku Club Omori, 217-6 and other tracts, Omori-nishi 3-chome, Ota-ku, Tokyo-to, Japan ニック倶楽部大森, 東京都大田区大森西, 三丁目217番6外) — a three storey residential building near the Omori train station. The Group owns the entire interest in this property including the building and the piece of land on which the property is situated. The building was originally used as staff quarters and was classified as property, plant and equipment in our financial statement. The Group renovated this property and leased the apartments out in the year ended 31 March 2012. The property is held freehold.

Investment properties are stated at historical cost less accumulated depreciation and impairment loss. As at 31 March 2015, the fair value of the Group's investment properties is ¥755 million, which were valued by an independent professionally qualified valuer, DTZ Debenham Tie Leung ("DTZ"). Had the investment properties been stated at the fair value as at 31 March 2015, additional depreciation of less than ¥1 million will be charged to the administrative and other operating expenses of the consolidated financial statements.

EMPLOYEE REMUNERATION AND POLICIES

As at 31 March 2015, the Group had 1,434 employees. The remuneration policy of the Group is determined by the Remuneration Committee under the Board of Directors as per the performance, qualifications and competence of our employees. Details of the employee remuneration of the Company were set forth in Note 8 to the consolidated financial statements.

FINAL DIVIDEND

The Board has declared a final dividend of ¥0.76 per share for the year ended 31 March 2015 (2014: ¥0.17) on 21 May 2015, the final dividend will be payable on 7 July 2015 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at close of business on 8 June 2015.

The exchange rate for the conversion of Japanese Yen to Hong Kong dollars for the dividend distributed to the Shareholders in the currency other than Japanese Yen is based on the average currency rates prevailing five trading days immediately prior to 21 May 2015 (being 14 to 15 May 2015 and 18 to 20 May 2015).

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

In April 2015, the Company conducted a global offering which included the offering of 300,000,000 common shares issued and allotted by the Company, at an offer price of HK$1.18 per share. Net proceeds received by the Company were approximately HK$339 million. The ordinary shares of the Company were listed on the Main Board of HKEx on 8 April 2015 (the "Listing Date").

As stated in the Prospectus, the Company intends to use the proceeds for (i) opening of three new suburban halls in Fukushima, Gunma and Ibaraki Prefecture by the year ended 31 March 2016; (ii) opening of two new suburban halls in Fukushima and Ibaraki Prefecture by the year ended 31 March 2017; (iii) investing in the IT system consolidation of the Company; and (iv) working capital and other general corporate purposes. During the period from the Listing Date to the date of this annual report, the net proceeds from the listing were not utilised.

Note:
Our Group's halls are equipped with pachinko and pachislot machines. Pachinko has been among the most popular forms of entertainment for the Japanese people since their introduction back in the early 20th century. Similar to pinball machines in appearance, the object of pachinko is to rapidly fire balls in succession into a playing field, which have pockets that release bonus pachinko balls. The cost per ball can range from ¥0.5 to ¥4 prior to consumption tax. In respect of pachislot, it is similar in appearance to slot machines, and requires the player to insert pachislot tokens to spin its image wheels. The objective of the game is to stop the reels at a winning matching combination to release bonus pachislot tokens, with each token ranging in cost from ¥2 to ¥20 prior to consumption tax. Customers can subsequently exchange the balls and tokens for two types of prizes; specifically, general prizes, which include cigarettes, food and snacks, household goods and drinks; and G-prizes, which are decorative cards or coin-shaped pendants that can be sold to independent G-prize buyers for cash.

Prospects and Strategies

The overall pachinko industry is expected to continue to shrink gradually — which the management believes will lead to further market consolidation. It is expected that smaller players in this industry will be getting increasingly difficult to compete. This, however, will bode well for large hall operators such as NIRAKU, which benefits from higher efficiency and the ability to capture the market space freed up by smaller market participants through economies of scale.

To maintain the Group's dominant position in the market while at the same time enhance its competitiveness to capture additional market share and continuing with the future plans as disclosed in the Prospectus, the management will strive to further leverage its strengths to bolster its suburban halls network in Northeast Honshu. Correspondingly, five additional new pachinko halls will be established by the year ended 31 March 2017. The management will also make every effort to enhance the performance of urban halls by employing effective centralised management and marketing strategies, adjusting the machine mix and conducting minor renovations, with the overall objective of enhancing the playing experience for patrons.

The Group will take part as one of the participating companies in the launch of an online general prize redemption system that allows customers to exchange their pachinko balls or pachislot tokens for a wide variety of general prizes. Through the online system, the Group will be able to offer a larger variety of prizes which its variety extend beyond those offered by daily convenience stores. This enables the Group to attract more customers while at the same time improving the redemption rate of general prizes. As general prizes generally bear a higher mark-up, it is also expected to boast our revenue margin.

Operational efficiency and cost management is also paramount to the Group's sustained development. Apart from investing in IT infrastructure which will improve information sharing and payout monitoring in our halls, the Group will continue to leverage its centralised operation and management structure to further streamline its operation. Correspondingly, the practice of standardising pachinko halls in the areas of branding, construction and procurement will be maintained, which, in conjunction with the Group's further expansion in Northeast Honshu, will reap benefits derived from economies of scale, including cost savings through bulk purchases and optimisation of human resources.

All in all, the Group will continue its dedicated focus on the Northeast Honshu market. The management is confident that by leveraging its market-leading position, NIRAKU can achieve higher economies of scale to improve the Group's operating efficiencies and ultimately benefit the overall performance. In this way, the management believes that the Group can maintain its position as the largest and strongest pachinko hall operator in Northeast Honshu, and achieve more widespread recognition as one of the pachinko industry leaders in Japan.

Profile of Directors and Senior Management

CHAIRMAN OF THE BOARD, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Hisanori TANIGUCHI (谷口久徳) (also known as Mr. JEONG Seonggi), aged 52, is the primary leadership figure of our Group. He was appointed as the Representative Director and President* (代表取締役社長) of our Company on 10 January 2013, the date of incorporation of our Company, and was re-designated as a Director and Chief Executive Officer on 25 June 2014. Mr. Taniguchi is responsible for the Group's overall corporate strategies, management and business development. He is also a member of our Nomination Committee and Remuneration Committee.

Mr. Taniguchi joined the Group in April 1983, deployed in a number of departments across our operations, from human resources to hall development and sales. Throughout his 31 years of experience with the Group, he has acquired extensive knowledge in a wide array of aspects in pachinko and pachislot hall operations.

Mr. Taniguchi first involved in our overall general management in November 2002, when he was appointed as the managing director* (常務取締役) of Niraku Corporation. He was subsequently elected as the vice president* (取締役副社長), president* (取締役社長) and representative director and president* (代表取締役社長) of Niraku Corporation in June 2008, June 2009 and April 2010, respectively. He is currently the representative director and president* (代表取締役社長) of Niraku Corporation and Niraku Merrist Corporation ("Merrist").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hiroaki MORITA (森田弘昭), aged 78, was appointed as an independent non-executive Director in June 2014 and is the chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee. Mr. Morita has been a director of IPO Research Institute, Ltd.* (IPO総合研究所) since April 2000. Mr. Morita also worked for Nomura Securities Co., Ltd.* (野村證券株式会社) between April 1960 and June 1989 and served various positions in its underwriting and finance divisions. He has also been the representative director (代表取締役) of Morita Office* (株式会社森田 • 栗山事務所), which provides management consulting services, since August 1997. With his current and previous positions in these institutions in Japan and as a chartered member of the Securities Analysts Association of Japan* (日本証券アナリスト協会) since August 1981, he has extensive experience in securities dealings, financial analysis, corporate governance and other aspects relating to listed companies in Japan.

Mr. Norio NAKAYAMA (中山宣男), aged 67, was appointed as an independent non-executive Director in June 2014 and the chairman of our Remuneration Committee and a member of our Audit Committee. Mr. Nakayama joined Kaneka Corporation* (株式会社カネカ), a listed company on both The Tokyo Stock Exchange (4118:JP) and Nagoya Stock Exchange (4118:JP), in April 1969, and was its corporate auditor prior to his departure in May 2009. Through his positions within Kaneka Corporation* (株式会社カネカ), Mr. Nakayama acquired experiences in on-going compliance matters and corporate governance of a listed corporation in Japan. Until November 2006, Mr. Nakayama also served as an external corporate auditor for Asahi Homes Co. Ltd * (旭ホームズ株式会社). Mr. Nakayama has also been a director of Fire Stove Japan Co., Ltd.* (株式会社ファイヤーストーブジャパン) since December 2010.

Mr. Masaharu TOGO (東郷正春), aged 66, was appointed as an independent non-executive Director in June 2014 and a member of our Nomination Committee. Mr. Togo joined Sumitomo Corporation* (住友商事株式会社) in April 1973 and was a manager in charge of its stainless steel and magnesium production division until his departure in May 2006. Prior to that, Mr. Togo was a corporate auditor for Daiwa Kohtai Co., Ltd* (大和鋼帯株式会社) from June 2001 to June 2003.

Mr. Hiroaki KUMAMOTO (熊本浩明), aged 46, was appointed as an independent non-executive Director in November 2014 and the chairman of our Audit Committee. Mr. Kumamoto spent over 14 years of his career both in the Japan and Hong Kong offices of PricewaterhouseCoopers. Mr. Kumamoto is currently the chief executive officer* (代表執行役) of Global Japan Consulting Limited.

Profile of Directors and Senior Management

EXECUTIVE OFFICERS

Mr. Akinori OHISHI (大石明德), aged 50, was appointed as Executive Officer in June 2014 and a member of our Risk Management Committee . He is a prominent management figure in our Group and manages our day-to-day operations. Mr. Ohishi joined our Group in April 2010 as an advisor of Niraku Corporation. He was promoted to director and head of corporate planning of Niraku Corporation in June 2012, chiefly responsible for implementing the corporate and business strategies of our pachinko and pachislot hall operations. Mr. Ohishi was elected as a Director of our Company upon our incorporation in January 2013, and was re-designated as an Executive Officer on 25 June 2014. Mr. Ohishi's industry positions include his directorship* (理事) at Pachinko Chain Store Association* (一般社団法人パチンコ チェーンストア協会).

Mr. Hidenori MOROTA (諸田英模), aged 49, was appointed as our Executive Officer in November 2014 and a member of our Risk Management Committee. He is also a director of Niraku Corporation, our subsidiary, since June 2012. He is the head of our sales department and overseas the advertising, marketing, sales, machine selection and general prize offerings functions of our Group. Mr. Morota joined our Group in October 1988 and was elected as a director of Niraku Corporation in June 2001 and was subsequently promoted to an executive officer* (執行役) in June 2005. He served as a Director of the Company between January 2013 and June 2014, and was designated as our Executive Officer in November 2014.

Mr. Mototaka TANAKA (田中基隆), aged 50, was elected as our Executive Officer on 28 November 2014. Concurrently he also serves as a manager of our legal department and is primarily in charge of our legal and corporate affairs, corporate records and our general compliance with corporate and other relevant laws and regulations in Japan. Mr. Tanaka joined the Group in September 2012, and has been a manager of our legal department and was promoted as our Executive Officer in November 2014.

SENIOR MANAGEMENT

Mr. Tatsuo TANIGUCHI (谷口龍雄), aged 61, was appointed as the representative director and president* (代表取締役社長) of Nexia Inc. in June 2009. His primary duties within our Group are the oversight of our property activities, including the selection, acquisition and maintenance of the lands and premises of our pachinko halls. He also manages the office premises and residential apartment building owned by our Group which were leased to third party customers as an ancillary business. Mr. Taniguchi joined our Group in June 1974 as an operations manager of Niraku Corporation and was appointed as the managing director* (常務取締役) in October 1981. He served as the deputy president* (副社長) of Niraku Corporation between August 1998 and June 2012 and a Director of our Company since January 2013 and was an integral part of our pachinko hall operations until his retirement, as a Director of our Company and Niraku Corporation, in June 2014 and September 2014, respectively. He remains on with an advisory role within our Group, focusing on property activities. Mr. Taniguchi is the brother of our Chairman and is therefore his associate under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Mr. Taniguchi is also a controlling shareholder of our Company and also a person acting in concert with our Chairman within the meanings of the Codes on Takeovers and Mergers and Share Buy-backs.

Mr. Tadashi UCHIYAMA (内山忠), aged 63, was appointed as statutory auditor* (監査役) of Niraku Corporation in June 2011. Mr. Uchiyama has spent over 37 years in the group of companies under The Toho Bank, Ltd.* (東邦銀行) between April 1974 and June 2011, and had gained considerable experiences across its business functions, including banking, information system and business consulting. His last position prior to joining our Group was the representative director* (代表取締役) of Toho Computer Services Co., Ltd.* (東邦コンピューターサービス株式会社). Mr. Uchiyama has been a member of the Civil Dispute Resolution Committee* (民事調停委員会) of the Japanese government since October 2012.

Ms. YIU Wai Man Karen (姚慧敏), aged 39, was appointed as our joint company secretary in December 2014 and financial controller in February 2015. Ms. Yiu is also responsible for our accounting and financial reporting matters under International Financial Reporting Standards and our financial management controls. Prior to joining our Group in August 2014, Ms. Yiu was a senior manager in the assurance department of PricewaterhouseCoopers, Ms. Yiu has over 10 years of experience in accounting and financial reporting.

* *For identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company's shares were listed on the Main Board of the HKEx on 8 April 2015. As the Company was not listed in the year ended 31 March 2015, the Corporate Governance Code was not applicable to the Company during the reporting period. Since the Listing Date and up to the date of this annual report, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "CG Code"), with the exception for code provision A.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals.

This report describes the Group's corporate governance practices and explains the applications of the principles of the CG Code. The Company, steered by the Board, applies the principles in the CG Code and will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimise return for Shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. As the Company was not listed on the HKEx in the year ended 31 March 2015, the Model Code was not applicable to the Company for the year ended 31 March 2015. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the period from the Listing Date to the date of this annual report.

Since the Listing Date, as required under the CG Code, the Board has also established written guidelines no less exacting than the Model Code for relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Board is accountable to the Shareholders. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Report

BOARD OF DIRECTORS

The Board oversees the management, businesses, strategic directions and financial performance of the Group. The Board currently comprises a total of five Directors, with one executive Director, namely Hisanori TANIGUCHI (also known as JEONG Seonggi), and four independent non-executive Directors, namely Mr. Hiroaki MORITA, Mr. Norio NAKAYAMA, Mr. Masaharu TOGO and Mr. Hiroaki KUMAMOTO. . The biographies of the Directors are set out on page 17 of this annual report.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Boards composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually. This diversity policy is reviewed annually by the Nomination Committee, and where appropriate, revisions will be made with the approval from the Board.

Chairman and Chief Executive Officer

The Board has appointed a Chairman, Mr. Hisanori TANIGUCHI, who provides leadership for the Board and ensures that the Board works effectively and that all important issues are discussed in a timely manner. The Chairman also holds the position of Chief Executive Officer. Since April 2010, our Chairman has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our executive officers (other than himself) and members of our senior management. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider our Chairman is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Independent Non-Executive Directors

The Company has received annual confirmations of independence from all the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive directors are independent and have appropriate professional qualifications or accounting or related financial management expertise in accordance with Rule 3.10 of the Listing Rules.

Audit Committee

The Company established the Audit Committee on 25 June 2014 with specific written terms of reference. The Audit Committee is responsible for assisting the Board in providing an independent view of the financial information of the Company, effectiveness of our risk management, financial reporting system and internal control procedures, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee also oversees the corporate governance functions.

The Audit Committee held nine meetings during the year ended 31 March 2015 to review reports on internal control system of the Group, and to discuss with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee reviewed the system of internal control and the financial statements for the year ended 31 March 2015 with recommendation to the Board for approval. The audit plans from external auditors were also reviewed by the Audit Committee and recommendation was made on the reappointment of the external auditors.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Hiroaki KUMAMOTO (熊本浩明), Mr. Hiroaki MORITA (森田弘昭) and Mr. Norio NAKAYAMA (中山宣男). It is currently chaired by Mr. Hiroaki KUMAMOTO (熊本浩明), an independent non-executive Director.

Remuneration Committee

The Company established the Remuneration Committee on 25 June 2014 with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board.

The Remuneration Committee held two meetings during the year ended 31 March 2015 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and making recommendations to the Board about the remuneration of non-executive Directors.

The Remuneration Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Norio NAKAYAMA (中山宣男) and Mr. Hiroaki MORITA (森田弘昭) and an executive Director, namely Mr. Hisanori TANIGUCHI (谷口久徳) (also known as Mr. JEONG Seonggi). It is currently chaired by Mr. Norio NAKAYAMA (中山宣男), an independent non-executive Director.

Nomination Committee

The Company established the Nomination Committee on 25 June 2014 with specific written terms of reference. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors. The Nomination Committee held one meeting during the year ended 31 March 2015.

The Nomination Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Hiroaki MORITA (森田弘昭) and Mr. Masaharu TOGO (東郷正春) and an executive Director, namely Mr. Hisanori TANIGUCHI (谷口久徳) (also known as Mr. JEONG Seonggi). It is currently chaired by Mr. Hiroaki MORITA (森田弘昭), an independent non-executive Director.

Attendance at meetings of the General Meeting, the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee:

	Number of meetings attended/Eligible to attend for year ended 31 March 2015				
Name of Directors	**General Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Mr. Hisanori TANIGUCHI (谷口久徳)	5/5	16/16	N/A	2/2	1/1
Mr. Hiroaki MORITA (森田弘昭)	4/5	11/16	9/9	2/2	1/1
Mr. Norio NAKAYAMA (中山宣男)	3/5	11/16	9/9	1/2	N/A
Mr. Masaharu TOGO (東郷正春)	2/5	11/16	N/A	N/A	1/1
Mr. Hiroaki KUMAMOTO (熊本浩明)	2/5	6/16	4/9	N/A	N/A

There were sixteen meetings of the Board held during the year ended 31 March 2015.

Directors who are considered having conflict of interests or material interests in proposed transactions or contemplated issues are required to abstain from voting on the relevant resolution.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers had facilitated directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. Directors including Mr. Hisanori TANIGUCHI, Mr. Hiroaki MORITA, Mr. Norio NAKAYAMA, Mr. Masaharu TOGO and Mr. Hiroaki KUMAMOTO received this training. Ms. YIU Wai Man Karen, the joint company secretary of the Company, from time to time updates and provides written training material relating to the roles, functions and duties of a Director and all the aforesaid Directors study such materials, and they are asked to submit a signed training record to the Company on an annual basis.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of Directors which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

Since the Listing Date, the Company has updated the internal handbooks on notifiable transactions and inside information in accordance with the Listing Rules as guideline for its employees to report unpublished inside information to the Company to ensure consistent and timely disclosure and fulfillment of the Company's continuous disclosure obligations.

AUDITOR'S REMUNERATION

During the year ended 31 March 2015, the total fee in relation to the annual audit of the Group amounted to ¥60 million, which was paid/payable to PricewaterhouseCoopers and its affiliated firm. The remuneration paid to PricewaterhouseCoopers and its affiliated firm for services rendered is listed as follows:

For the year ended 31 March	**2015** **¥ million**
Types of services	
Statutory audit	**60**
Reporting Accountant for the Global Offering	**234**
Non-audit services (Note)	**46**
Total	**340**

Note: Non-audit services comprise primarily tax advisory services provided to the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with International Financial Reporting Standards issued by International Accounting Standard Board. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 37 to 102 of this annual report.

JOINT COMPANY SECRETARY

The joint company secretaries are Ms. YIU Wai Man Karen and Ms. NG Sau Mei. Ms. Yiu is also the financial controller and is employed by the Company on a full-time basis. Please refer to her biographical details which are set out on page 18 of this annual report.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. NG Sau Mei, manager of KCS Hong Kong Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. YIU Wai Man Karen to discharge her duties as company secretary of the Company. The primary corporate contact person at the Company is Ms. YIU Wai Man Karen.

For the year ended 31 March 2015, Ms. YIU Wai Man Karen and Ms. NG Sau Mei have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The Board and senior management maintain a continuing dialogue with the Shareholders and investors through various channels including the Company's annual general meeting. The Chairman, chairmen of board committees (or respective designated member), Executive officers and external auditors will attend the annual general meeting. The Directors will answer questions raised by the Shareholders on the performance of the Group. Our corporate website which contains corporate information, announcements as well as the recent developments of the Group enables Shareholders to have timely and updated information of the Group.

Any one Shareholder holding no less than 3% of the voting rights in the Company for the last six consecutive months may request the Company's directors to convene a general meeting. If the directors do not send out a convocation notice for such general meeting to be held and such Shareholders' meeting is not convened by the directors within eight weeks from the date of such request, the relevant Shareholder who made the request may convene a general meeting with court permission.

INVESTOR RELATIONS

To manage its relationship with investment community and its Shareholders, the Company also communicates through announcements and annual and interim reports. All such reports and announcements can also be accessed via the Company's website. The Directors, company secretary or other appropriate members of the senior management also respond to inquiries from Shareholders and investment community promptly.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries via Strategic Financial Relations Limited at niraku@sprg.com.hk.

INTERNAL CONTROL

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

In the year under review, the Board has reviewed, through the Audit Committee, the Group's internal control system and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the internal control system.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The articles of incorporation of the Company ("Articles") has been amended and restated on 16 March 2015 with effect from the Listing Date. Please refer to Appendix V of the Prospectus for a summary of Provisions of the Articles which may be relevant to investors. Full version of the Articles is available from HKExnews website (www.hkexnews.hk) or website of the Company (www.ngch.co.jp).

CORPORATE SOCIAL RESPONSIBILITY

We also believe it is important for us to fulfil our corporate social responsibility by continuously contributing to the society. We engage in charity activities from time to time. While charity is the primary goal, such charity activities still provide valuable exposure of our brand and enhance the public image of our brand as a socially responsible enterprise. During the year ended 31 March 2015, our expenses on corporate social responsibility related activities amounted to ¥38 million.

Our wholly-owned special subsidiary, Merrist, continues in supporting hiring of handicapped persons as promoted under the Act on Employment Promotion etc. of Persons with Disabilities (Act No. 123 of 1960). As at 31 March 2015, we have hired 61 employees that are handicapped persons, which is more than double of the legal requirement. Such employees are mostly stationed in our halls and responsible for relatively basic tasks such as gardening and cleaning of our halls and training facilities. In recognition of our efforts to employ handicapped persons, we have received multiple awards.

Report of the Directors

The Directors are pleased to present the first annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2015.

GROUP REORGANISATION AND INITIAL PUBLIC OFFERING

The Company was incorporated with limited liability in Japan on 10 January 2013. Pursuant to the group reorganisation to rationalise the structure of the Group in preparation for the Initial Public Offering and listing of the Company's shares (the "Listing"), the Company became the holding company of the companies now comprising the Group. The shares of the Company were subsequently listed on the Main Board of the HKEx on 8 April 2015. Details of the group reorganisation during the year are set out in Note 1.2 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries comprising the Group are principally engaged in pachinko and pachislot hall operations, hotel operations and restaurant business in Japan. The activities of the principal subsidiaries are set out in Note 14 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of comprehensive income on page 39.

The Directors has declared the payment of a final dividend of ¥0.76 per share totalling ¥909 million to the Shareholders. Such payment of dividends will be payable to Shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years are set out on page 5 of this annual report.

SHARE CAPITAL AND SHARE ISSUED

Details of movements in share capital and issues of shares of the Company are set out in Note 24 to the consolidated financial statements. 300,000,000 common shares were issued on 8 April 2015 in the global offering of the Company.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 44 Distributable reserves of the Company at 31 March 2015 amounted to approximately ¥14,574 million (2014: ¥13,352 million).

Report of the Directors

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2015 are set out in Note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of Japan.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period from the Listing Date to the date of this annual report. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period from the Listing Date to the date of this annual report.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$339 million, which are intended to be applied in the manner as disclosed in the Prospectus.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Executive Directors
Mr. Hisanori TANIGUCHI (谷口久徳) (also known as Mr. JEONG Seonggi)
Mr. Tatsuo TANIGUCHI (谷口龍雄) (resigned on 25 June 2014)
Mr. Hidenori MOROTA (諸田英模) (resigned on 25 June 2014)
Mr. Akinori OHISHI (大石明徳) (resigned on 25 June 2014)

Independent Non-Executive Directors
Mr. Hiroaki MORITA (森田弘昭) (appointed on 25 June 2014)
Mr. Norio NAKAYAMA (中山宣男) (appointed on 25 June 2014)
Mr. Masaharu TOGO (東郷正春) (appointed on 25 June 2014)
Mr. Hiroaki KUMAMOTO (熊本浩明) (appointed on 28 November 2014)

External Director
Hiroshi Bannai (坂内弘) (appointed on 25 June 2014 and resigned on 31 October 2014)

In accordance with articles 29 of the Articles, all directors will retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-election.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at the date of this annual report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2015 and up to the date of this annual report.

EMOLUMENT POLICY

A Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. Further, no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals during the years ended 31 March 2015 and 2014 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Details of the emoluments of the Directors and five highest paid individuals during the reporting period are set out in Note 8(b) to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

From the Listing Date to the date of this annual report, there was no change to information which is required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

For the year ended 31 March 2015, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") and Section 352 of the SFO was not applicable to the Directors and chief executive of the Company, as the Company was not listed on the HKEx on 31 March 2015.

As at the date of this annual report, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKEx pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Hisanori TANIGUCHI(谷口久徳)# (also known as Mr. JEONG Seonggi)	Beneficial owner, interest of controlled corporation(1)	224,480,460 common Shares	18.77%

Notes:

(1) The interests held by Hisanori TANIGUCHI (谷口久徳)# (also known as Mr. JEONG Seonggi) shown above include the 212,980,460 Shares held in his own name for his own benefit and the 11,500,000 Shares held by Densho Limited* (有限会社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by him.

(2) All interests stated are long positions.

(3) There were 1,195,850,460 Shares in issue as at date of this annual report.

Save as disclosed above, as at the date of this annual report, none of the directors and chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

For the year ended 31 March 2015, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO was not applicable to the Company, as it was not listed on the Stock Exchange on 31 March 2015.

As at the date of this annual report, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

	Capacity/Nature of interest	**Number of shares interested**	**Approximate % of shareholding in the total issued shares**
Tatsuo TANIGUCHI (谷口龍雄)	Beneficial owner; interest of controlled corporation; custodian[(1)]	223,790,000 common Shares	18.71%
Masataka TANIGUCHI (谷口晶貴)	Beneficial owner; interest of controlled corporation; custodian[(2)]	151,570,000 common Shares	12.67%
Yoshihiro TEI (鄭義弘)[#] (also known as JEONG Jungwung)	Beneficial owner; interest of controlled corporation; custodian[(3)]	98,440,000 common Shares	8.23%
Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友フィナンシャルグループ)	Interest of controlled corporation[(4)]	229,137,500 common Shares	19.16%
Sumitomo Mitsui Banking Corporation* (株式會社三井住友銀行)	Interest of controlled corporation[(4)]	229,137,500 common Shares	19.16%
SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行)	Trustee[(1), (2), (3), (4)]	229,137,500 common Shares	19.16%
Niraku Employee Stock Ownership Association* (ニラク従業員持株会)	Custodian[(5)]	61,870,000 common Shares	5.17%
Choi Jung Ae	Interest of a spouse[(6)]	224,480,460 common Shares	18.77%

	Capacity/Nature of interest	Number of shares interested	Approximate % of shareholding in the total issued shares
Hideko TANIGUCHI (谷口秀子)	Interest of a spouse[7]	223,790,000 common Shares	18.71%
Eiko TANIGUCHI (谷口栄子)	Interest of a spouse[8]	151,570,000 common Shares	12.67%
JEONG Kyeonghae	Interest of a spouse[9]	98,440,000 common Shares	8.23%
Jeong Bak Soo	Interest of a child[10]	224,480,460 common Shares	18.77%
Jeong Soo Hun	Interest of a child[10]	224,480,460 common Shares	18.77%
Jeong Yoo Ryoung	Interest of a child[10]	224,480,460 common Shares	18.77%
Jeong Yu Ri	Interest of a child[10]	224,480,460 common Shares	18.77%
JEONG Jangyeong (also known as Masahide TEI (鄭將英)#)	Interest of a child[11]	98,440,000 common Shares	8.23%
JEONG Kyeongheon (also known as Akinori TEI (鄭敬憲)#)	Interest of a child[11]	98,440,000 common Shares	8.23%
Okada Holdings Limited	Beneficial owner[12]	80,500,000 common Shares	6.73%
Universal Entertainment Corporation	Beneficial owner[12]	80,500,000 common Shares	6.73%
Tiger Resort Asia Limited	Beneficial owner[12]	80,500,000 common Shares	6.73%
Mars Engineering Corporation	Beneficial owner	71,104,000 common Shares	5.95%

Notes:

(1) The interests held by Mr. Tatsuo TANIGUCHI (谷口龍雄) shown above include: (i) 161,690,000 Shares held in his own name for his own benefit, (ii) 19,320,000 Shares held by Jukki Limited* (有限会社十起), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄); (iii) 1,380,000 Shares held by KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA), a company collectively wholly-owned by our Chairman, Mr. Tatsuo TANIGUCHI (谷口龍雄) and Mr. Masataka TANIGUCHI (谷口晶貴), the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄); and (iv) 41,400,000 Shares held by the TT Family Trust for the benefit of his children, namely Ms. Yoshika TEI (鄭淑佳)# (also known as Ms. JEONG Sukka), Mr. Kousei TEI (鄭光誠)# (also known as Mr. CHONG Gangsong) and Mr. Kiyokazu TANIGUCHI (谷口清和). SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) is the trustee and assignee* (受託者) of the TT Family Trust and Mr. Tatsuo TANIGUCHI (谷口龍雄) is entitled to exercise the voting rights attached to the Shares under the TT Family Trust. The interests under the TT Family Trust are equally distributed among the three beneficiaries under the TT Family Trust.

(2) The interests held by Mr. Masataka TANIGUCHI (谷口晶貴) shown above include: (i) 11,442,500 Shares held in his own name for his own benefit; (ii) 5,750,000 Shares held by Hokuyo Kanko Limited* (有限会社北陽観光), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Masataka TANIGUCHI (谷口晶貴); and (iii) 134,377,500 Shares held by the MT Family Trust for the benefit of his children, namely Mr. Tatsunari TANIGUCHI (谷口辰成)# (also known as Mr. CHONG Jinsong), Mr. Takanari TANIGUCHI (谷口喆成) # (also known as Mr. JEONG Cheolseong) and Mr. Toshinari TANIGUCHI (谷口才成)# (also known as Mr. CHUNG Jaeseong). SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) is the trustee and assignee* (受託者) of the MT Family Trust and Mr. Masataka TANIGUCHI (谷口晶貴) is entitled to exercise the voting rights attached to the Shares under the MT Family Trust. The interests under the MT Family Trust are equally distributed among the three beneficiaries under the MT Family Trust.

(3) The interests held by Mr. Yoshihiro TEI (鄭義弘)# (also known as JEONG Jungwung) shown above include: (i) 33,580,000 Shares held in his own name for his own benefit; (ii) 11,500,000 Shares held by Daiki Limited* (有限会社大喜), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Yoshihiro TEI (鄭義弘) # (also known as JEONG Jungwung); and (iii) 53,360,000 Shares held by the YT Family Trust for the benefit of his children, namely Mr. Akinori TEI (鄭敬憲)# (also known as JEONG Kyeongheon) and Mr. Masahide TEI (鄭將英)# (also known as JEONG Jangyeong). SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) is the trustee and assignee* (受託者) of the YT Family Trust and Mr. Yoshihiro TEI (鄭義弘)# (also known as JEONG Jungwung) is entitled to exercise the voting rights attached to the Shares under the YT Family Trust. The interests under the YT Family Trust are equally distributed among the two beneficiaries under the YT Family Trust.

(4) Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友フィナンシャルグループ) holds Sumitomo Mitsui Banking Corporation* (株式會社三井住友銀行), which holds SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行). Accordingly, each of Sumitomo Mitsui Banking Corporation* (株式會社三井住友銀行) and Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友フィナンシャルグループ) is deemed to be interested in such 229,137,500 Shares held by SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行).

(5) Niraku Employee Stock Ownership Association* (ニラク従業員持株会) (the "ESOA") is the registered owner of 61,870,000 Shares held for the benefit of the members of the ESOA, who are current employees of our Group. The voting rights attached to the Shares held by the ESOA are exercisable by its president* (理事長), currently Mr. Takashi ENDO (遠藤孝), who is not a core connected person of our Company.

(6) Ms. Choi Jung Ae is the spouse of our Chairman and is therefore deemed to be interested in the Shares that our Chairman is interested in under the SFO.

(7) Mrs. Hideko TANIGUCHI (谷口秀子) is the spouse of Mr. Tatsuo TANIGUCHI (谷口龍雄) and is therefore deemed to be interested in the Shares that Mr. Tatsuo TANIGUCHI (谷口龍雄) is interested in under the SFO.

(8) Mrs. Eiko TANIGUCHI (谷口栄子) is the spouse of Mr. Masataka TANIGUCHI (谷口晶貴) and is therefore deemed to be interested in the Shares that Mr. Masataka TANIGUCHI (谷口晶貴) is interested in under the SFO.

(9) Ms. Jeong Kyeonghae is the spouse of Mr. Yoshihiro TEI (鄭義弘) # (also known as JEONG Jungwung) and is therefore deemed to be interested in the Shares that Mr. Yoshihiro TEI (鄭義弘)# (also known as JEONG Jungwung) is interested in under the SFO.

(10) Jeong Bak Soo, Jeong Soo Hun, Jeong Yoo Ryoung and Jeong Yu Ri are the children of our Chairman under the age of 18 and are therefore deemed to be interested in the Shares that our Chairman is interested in under the SFO.

(11) Ms. JEONG Jangyeong (also known as Masahide TEI (鄭將英)#) and Mr. JEONG Kyeongheon (also known as Akinori TEI (鄭敬憲)#) are the children of Mr. Yoshihiro TEI (鄭義弘)# (also known as Mr. JEONG Jungwung) under the age of 18 and are therefore deemed to be interested in the Shares that Mr. Yoshihiro TEI (鄭義弘)# (also known as Mr. JEONG Jungwung) is interested in under the SFO. In addition, they are the beneficiaries under the YT Family Trust.

(12) Okada Holdings Limited indirectly holds 74.21% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of the Universal Entertainment Corporation and Okada Holdings Limited is deemed to be interested in such 80,500,000 Shares held by Tiger Resort Asia Limited.

(13) All interests stated are long positions.

(14) There were 1,195,850,460 Shares in issue as at the date of this annual report.

Save as disclosed above, and as at the date of this annual report, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Associated Corporation”, at no time during the year was the Company, any subsidiary or its holding company or any fellow subsidiary, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

NON-COMPETITION UNDERTAKING

For the year ended 31 March 2015, the disclosure requirements relating to business competing with the Controlling Shareholder under Rule 8.10(2) of the Listing Rules were not applicable to the Company, as the Company had not been listed on the HKEx as of 31 March 2015.

Each of Mr. Hisanori TANIGUCHI (谷口久徳) (also known as JEONG Seonggi) and a group of (1) natural persons, namely Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴), Mr. Yoshihiro TEI (鄭義弘)[#] (also known as Mr. JEONG Jungwung), Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順), Ms. Rika TEI (鄭理香) and Ms. Noriko KANESHIRO (金城徳子), each being a family member of our Chairman; and (2) corporate entities, namely Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Echo Limited* (有限会社エコー), Daiki Limited* (有限会社大喜), Hokuyo Kanko Limited* (有限会社北陽観光) and KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA), each being an entity controlled by the family members of our Chairman (collectively, the "Controlling Shareholders"), has executed a deed of non-competition through which each of them has undertaken:

- that he/she/it would not, and would procure that his/her/its close associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any restricted business (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person); and

- refer, or to procure the referral of, any business investment or other commercial opportunity which competes or is likely to compete either directly or indirectly with the Restricted Business (the "New Opportunity") and shall give written notice to the Company of any New Opportunity containing all information reasonably necessary for the Company to consider.

For details about the above-mentioned non-competition undertaking, please refer to the Prospectus.

Details relating to the compliance of the Controlling Shareholder with the non-competition undertaking as of 31 March 2016 will be disclosed in the Company's next annual report.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately ¥38 million.

REMUNERATION POLICY AND PENSION SCHEME

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the directors). The remuneration policy and remuneration packages of the executive Director and members of the senior management of the Group are reviewed by the Remuneration Committee.

Particulars of the Group's retirement benefit schemes are set out in Note 8 to the consolidated financial statements.

Report of the Directors

CONNECTED TRANSACTIONS

The Group had entered into certain transactions with connected persons ("Connected Persons", as defined under Chapter 14A of the Listing Rules) in the year ended 31 March 2015 which would qualified as connected transactions under the Listing Rules if they are continued after the Listing. All such transactions were terminated and not continued after the Listing. Please refer to Note 35 to "Appendix I — Accountant's Report" of the Prospectus for further details of such transactions.

Except for the above, the Directors confirm that the Group does not have other connected transactions and continuing connected transactions as defined under the Listing Rules and have therefore complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2015, less than 1.0% of the Group's revenue were attributed by the Group's five largest customers and 58.0% of the Group's total purchases were attributed by the Group's five largest suppliers and 34.2% of the Group's total purchases were attributed by the Group's largest supplier. To the knowledge of the Directors, none of the Directors or any Shareholders who owned 5.0% or more of the issued share capital of the Company as at 31 March 2015 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in Note 35 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2015.

REMUNERATION OF SENIOR MANAGEMENT

Details of the emoluments paid to the senior management in year ended 31 March 2015 by bands are disclosed in Note 8 to the consolidated financial statements.

Report of the Directors

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 25 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the HKEx and permitted under the Listing Rules, is held by the public at all times as of the date of this annual report.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 March 2015.

The consolidated financial statements have been audited by PricewaterhouseCoopers who shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
NIRAKU GC HOLDINGS, INC.*
株式会社ニラク・ジー・シー・ホールディングス
Chairman, Executive Director and Chief Executive Officer
Hisanori TANIGUCHI (also known as JEONG Seonggi)

Fukushima, Japan, 21 May 2015

* *For identification purpose only*

Independent Auditor's Report

TO THE SHAREHOLDERS OF 株式会社ニラク•ジー•シー•ホールディングス NIRAKU GC HOLDINGS, INC.*
(incorporated in Japan with limited liability)

We have audited the consolidated financial statements of 株式会社ニラク•ジー•シー•ホールディングスNIRAKU GC HOLDINGS, INC.* (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 102, which comprise the consolidated and company statements of financial position as at 31 March 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 May 2015

* *For identification purpose only*

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

	Note	2015 ¥ million	2014 ¥ million
Revenue	5	**32,886**	33,847
Other income	6	**1,039**	378
Other gains/(losses), net	6	**3**	(97)
Hall operating expenses	7	**(22,982)**	(22,798)
Administrative and other operating expenses	7	**(5,336)**	(4,636)
Operating profit		**5,610**	6,694
Finance income		**119**	58
Finance costs		**(735)**	(744)
Finance costs, net	9	**(616)**	(686)
Profit before income tax		**4,994**	6,008
Income tax expense	10	**(1,964)**	(2,310)
Profit for the year attributable to owners of the Company		**3,030**	3,698
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	11	**3**	4
Other comprehensive (loss)/income			
Change in value of financial assets through other comprehensive income		**(155)**	433
Total comprehensive income for the year attributable to the owners of the Company		**2,875**	4,131

The notes on pages 46 to 102 are an integral part of these consolidated financial statements.

		2015 ¥ million	2014 ¥ million
Dividend	12	**909**	183

Consolidated Statement of Financial Position

As at 31 March 2015

	Note	**2015** ¥ million	2014 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment	13	**27,126**	25,817
Investment properties	15	**681**	676
Intangible assets	16	**189**	167
Prepayments, deposits and other receivables	22	**4,772**	4,251
Amounts due from directors and a shareholder	34	**–**	304
Financial assets at fair value through profit or loss	18	**201**	601
Financial assets at fair value through other comprehensive income	18	**1,378**	1,574
Deferred income tax assets	30	**1,771**	1,462
Long-term bank deposits	23	**125**	84
		36,243	34,936
Current assets			
Inventories	20	**719**	21
Trade receivables	21	**52**	54
Prepayments, deposits and other receivables	22	**1,602**	1,546
Amounts due from directors	34	**–**	12
Financial assets at fair value through profit or loss	18	**100**	100
Pledged bank deposits and bank deposits with maturity over 3 months	23	**2,286**	1,706
Cash and cash equivalents	23	**9,480**	8,409
Current income tax recoverable		**495**	121
		14,734	11,969
Total assets		**50,977**	46,905

Consolidated Statement of Financial Position (CONTINUED)

As at 31 March 2015

	Note	2015 ¥ million	2014 ¥ million
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**10**	10
Reserves	25		
— Proposed final dividend	12	**909**	–
— Others		**21,937**	21,790
Total equity		**22,856**	21,800
LIABILITIES			
Non-current liabilities			
Borrowings	28	**11,318**	9,270
Obligations under finance leases	29	**3,981**	5,366
Provisions and other payables	27	**1,676**	1,485
Derivative financial instruments	19	**26**	33
		17,001	16,154
Current liabilities			
Trade payables	26	**106**	201
Borrowings	28	**3,930**	3,109
Obligations under finance leases	29	**1,886**	2,253
Accruals, provisions and other payables	27	**4,209**	2,344
Derivative financial instruments	19	**15**	15
Current income tax liabilities		**974**	1,029
		11,120	8,951
Total liabilities		**28,121**	25,105
Total equity and liabilities		**50,977**	46,905
Net current assets		**3,614**	3,018
Total assets less current liabilities		**39,857**	37,954

The financial statements on pages 39 to 102 were approved by the Board of Directors on 21 May 2015 and were signed on its behalf

Mr. Hisanori TANIGUCHI
Director

The notes on pages 46 to 102 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 March 2015

	Note	2015 ¥ million	2014 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment		**5**	–
Intangible assets		**3**	–
Deposits and other receivables		**26**	–
Investments in subsidiaries	14	**16,286**	16,286
Deferred income tax assets		**276**	–
		16,596	16,286
Current assets			
Prepayments, deposits and other receivables		**172**	–
Cash and cash equivalents	23	**396**	93
Current income tax recoverable		**490**	120
		1,058	213
Total assets		**17,654**	16,499
EQUITY			
Share capital	24	**10**	10
Proposed final dividend		**909**	–
Reserves	25	**13,665**	13,352
Total equity		**14,584**	13,362
LIABILITIES			
Non-current liabilities			
Borrowings	28	**2,436**	2,779
Other payables		**6**	7
		2,442	2,786

Statement of Financial Position (CONTINUED)

As at 31 March 2015

	Note	2015 ¥ million	2014 ¥ million
LIABILITIES (CONTINUED)			
Current liabilities			
Borrowings	28	**351**	350
Other payables		**277**	1
		628	351
Total liabilities		**3,070**	3,137
Total equity and liabilities		**17,654**	16,499
Net current assets/(liabilities)		**430**	(138)
Total assets less current liabilities		**17,026**	16,148

The financial statements on pages 39 to 102 were approved by the Board of Directors on 21 May 2015 and were signed on its behalf

Mr. Hisanori TANIGUCHI
Name of director

The notes on pages 46 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Attributable to owners of the Company						
	Share capital ¥ million	Capital surplus (Note 25(a)) ¥ million	Capital reserve (Note 25(b)) ¥million	Legal reserve (Note 25(c)) ¥ million	Investment revaluation reserve (Note 25(d)) ¥ million	Retained earnings ¥ million	Total ¥ million
Balance at 1 April 2013	10	12,844	(15,999)	103	133	20,761	17,852
Comprehensive income							
Profit for the year	–	–	–	–	–	3,698	3,698
Other comprehensive income							
Financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	433	–	433
Total comprehensive income for the year	–	–	–	–	433	3,698	4,131
Dividend	–	–	–	4	–	(187)	(183)
Total transaction with owners	–	–	–	4	–	(187)	(183)
Balances at 31 March 2014 and 1 April 2014	10	12,844	(15,999)	107	566	24,272	21,800
Comprehensive income							
Profit for the year	–	–	–	–	–	3,030	3,030
Other comprehensive loss							
Financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(155)	–	(155)
Total comprehensive income for the year	–	–	–	–	(155)	3,030	2,875
Dividend	–	–	–	–	–	(183)	(183)
Purchase of treasury shares (Note 25(e))	–	–	(29)	–	–	(497)	(526)
Reduction in capital surplus upon distribution in specie (Note 25(a))	–	(1,110)	–	–	–	–	(1,110)
Total transactions with owners		(1,110)	(29)	–	–	(680)	(1,819)
Balance at 31 March 2015	10	11,734	(16,028)	107	411	26,622	22,856

The notes on pages 46 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	Note	2015 ¥ million	2014 ¥ million
Cash flows from operating activities			
Cash generated from operations	31	**8,816**	9,607
Interest paid		**(677)**	(692)
Income tax paid		**(2,210)**	(2,635)
Net cash generated from operating activities		**5,929**	6,280
Cash flows from investing activities			
Purchase of financial assets at fair value		**(240)**	(150)
Purchase of property, plant and equipment		**(1,817)**	(1,326)
Purchase of investment properties	15	**(20)**	(21)
Purchase of intangible assets	16	**(53)**	(34)
Proceeds from disposal of property, plant and equipment	31	**200**	33
Proceeds from disposal of financial assets at fair value		**535**	5
Proceeds from bank deposits with maturity over 3 months		**884**	316
Placement of bank deposits with maturity over 3 months		**(1,434)**	(220)
Placement of long-term bank deposits		**(71)**	(61)
Interest received		**1**	1
Dividend received		**66**	67
Net cash used in investing activities		**(1,949)**	(1,390)
Cash flows from financing activities			
Purchase of shares	25(e)	**(526)**	–
Distribution to the Controlling Shareholders	25(a)	**(1,110)**	–
Repayment of obligations under finance leases		**(3,900)**	(4,461)
Proceeds from bank borrowings		**9,771**	8,897
Repayment of bank borrowings		**(6,961)**	(7,643)
Dividends paid		**(183)**	(183)
Net cash used in financing activities		**(2,909)**	(3,390)
Net increase in cash and cash equivalents		**1,071**	1,500
Cash and cash equivalents at beginning of the year		**8,409**	6,909
Cash and cash equivalents at end of the year		**9,480**	8,409

The notes on pages 46 to 102 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General Information

株式会社ニラク•ジー•シー•ホールディングスNIRAKU GC HOLDINGS, INC.* was incorporated in Japan under the Japan Companies Act with limited liability on 10 January 2013. The address of its registered office is 1-39 Hohaccho 1-chome, Koriyama-shi, Fukushima, Japan.

The Company is an investment holding company. The Company and its subsidiaries comprising the Group are principally engaged in pachinko and pachislot hall operations and hotel operations (the "Listing Business") in Japan. During the year ended 31 March 2015, the Group also engaged in restaurant operation in Japan.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 April 2015 (the "Listing").

This consolidated financial statements is presented in millions of Japanese Yen ("¥"), unless otherwise stated.

1.2 Reorganisation and Basis of Presentation

In preparation for the Listing, the Company and other companies now comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which the Company has become the holding company of the Group.

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried out by Niraku Corporation, Nexia Inc. and Niraku Merrist Corporation (collectively the "Operating Companies"). Before the completion of the Reorganisation, the Operating Companies were collectively controlled by Mr. Hisanori Taniguchi (the "Chairman") and (1) a group of natural persons, namely Mr. Tatsuo Taniguchi, Mr. Masataka Taniguchi, Mr. Yoshihiro Tei, Mr. Mitsuhiro Tei(1), Mr. Motohiro Tei(1), Ms. Eijun Tei(1), Ms. Rika Tei(1) and Ms. Noriko Kaneshiro, each being a family member of the Chairman; and (2) corporate entities, namely Jukki Limited, Densho Limited, Echo Limited, Daiki Limited, Hokuyo Kanko Limited and KAWASHIMA Co., Ltd., each being an entity controlled by the family members of the Chairman (collectively, the "Controlling Shareholders") who owned and controlled Niraku Corporation, Nexia Inc. and Niraku Merrist Corporation, before and after the Reorganisation.

Immediately prior to and after the Reorganisation, the Listing Business is held by the Controlling Shareholders. The Listing Business is mainly conducted through Niraku Corporation, Nexia Inc. and Niraku Merrist Corporation which are the operating entities of the Group. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The transactions in relation to the Reorganisation of the Listing Business has no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial statements of the companies now comprising the Group is prepared in accordance with IFRS 10 "Consolidated Financial Statements" issued by the International Accounting Standard Board (the "IASB"), using the carrying values of the Listing Business under the Controlling Shareholders for all periods presented.

Note:

(1) Mr. Mitsuhiro Tei, Mr. Motohiro Tei, Ms. Eijun Tei and Ms. Rika Tei inherited their interests in the Company from the estate of the late Mr. Tateo Taniguchi, their father and sibling of the Chairman in October 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the IASB and has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) which are carried at fair values.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative year.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for accounting periods beginning on or after 1 April 2014:

IAS 36 (Amendment)	Impairment of assets
IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment)	Investment entities
IFRIC 21	Levies

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2014 are not material to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (Continued)

(b) New standards and amendments to existing standards not yet adopted by the Group

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 April 2015 or later periods, but have not been early adopted by the Group.

		Effective for accounting year beginning on or after
IAS 19 (2011) (Amendment)	Defined benefit plans: employee contributions	1 July 2014
IFRSs (Amendment)	Annual improvements to IFRSs 2010–2012 Cycle	1 July 2014
IFRSs (Amendment)	Annual improvements to IFRSs 2011–2013 Cycle	1 July 2014
IFRSs (Amendment)	Annual improvements 2012 to 2014 Cycle	1 January 2016
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 and IAS 41 (Amendment)	Agriculture: bearer plants	1 January 2016
IAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017

Management is in the process of making an assessment on the impact of these standards and amendments to existing IFRS and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 31 December 2015 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls entities when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination under common control

The consolidated financial statements incorporates the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

(b) Business combination other than under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

Consolidation (Continued)

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in Japanese Yen ("¥"), which is the Company's functional currency and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2.5 Property, plant and equipment

Land and buildings comprise mainly pachinko and pachislot halls and offices. All property, plant and equipment are stated at historical cost less depreciation, except freehold land which is not subject to amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is stated at cost less impairment loss. It is not depreciated until completion of the construction and the relevant assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20 to 40 years
— Leasehold improvements	Shorter of lease term or useful lives
— Equipment and tools	2 to 20 years
— Motor vehicles	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "Other gains/(losses), net" in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

Investment properties, principally comprising land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. The Group adopts the alternative treatment by using the cost model provided under the IAS 40 "Investment Property". Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of investment properties, except for the freehold land which is not subject to depreciation, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 27 to 31 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of pachinko and pachislot halls represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories according to IFRS 9 "Financial Instruments": financial assets at amortised costs and financial assets at fair value. Management determines the classification of its financial assets at initial recognition. This classification depends on whether the financial asset is a debt or equity instrument.

Debt instruments

Financial assets at amortised costs are debt instruments that meet the Group's business model for holding the investments to collect contractual cash flows and the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The nature of any derivatives embedded in the debt instrument are considered in determining whether the cash flows of the instrument are solely payment of principal and interest on the principal outstanding and are not accounted for separately. Other debt instruments are held-for-trading and classified as financial assets at fair value through profit or loss.

Equity instruments

All the Group's equity instruments are measured at fair value. Equity instruments that are held for trading are measured at fair value through profit or loss. For all other equity instruments, the Group has made an irrevocable election at initial recognition to recognise changes in their fair value through other comprehensive income.

Financial assets are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting periods. These are classified as non-current assets.

(b) *Recognition, derecognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(b) Recognition, derecognition and measurement (Continued)

Debt instruments that fulfil both the business model and the cash flow characteristic conditions are measured at amortised cost using the effective interest method. Other debt instruments are held-for-trading and measured at fair value through profit or loss.

Equity instruments are measured at fair value through profit or loss, except where the equity instruments are not held for trading and are irrevocably elected to measure at fair value through other comprehensive income at initial recognition, in which case, those financial assets are measured at fair value through other comprehensive income and there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

The Group reclassifies its financial assets when and only when its business model for managing those financial assets changes.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated statement of comprehensive income within 'Other (losses)/ gains — net' in the period in which they arise. Changes in the fair value of financial assets through other comprehensive income are recognised in other comprehensive income except for the impairment loss (if any) on debt instruments which are accounted for in profit or loss.

Gain or loss (if any) on derecognition or impairment (if any) of debt instruments at amortised cost is recognised in profit or loss.

Interest income from debt instruments at fair value through profit or loss are recognised in the profit or loss. Dividend income from equity instruments included in financial assets at fair value and fair value through other comprehensive income are recognised in the profit or loss when the Group's right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Impairment of financial assets

Impairment charges on the Group's investment in debt instruments at amortised cost are calculated based on an expected credit loss model. The Group considers these debt instruments as trade receivables in nature and do not have a significant financing component. Therefore, the Group elected to recognise lifetime expected credit losses of these debt instruments as provision for impairment allowance at the end of each reporting period. The Group applies a provision matrix, which is prepared by using historical loss experience on its trade receivables and adjusted for information about current conditions and reasonable and supportable forecasts of future economic conditions, to estimate the lifetime expected credit losses. Impairment charge/ reversal is recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

Inventories represent supplies, including uninstalled pachinko and pachislot machines with useful life typically less than one year, and other consumables which are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowings and borrowing costs (Continued)

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

The Group operates a defined contribution plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has established a defined contribution plan for its eligible employees. The assets of the plan are held in separate trustee-administered funds. Contributions to the plan by the Group are calculated as a percentage of employees' monthly basic salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(d) Long service payments

Employees who have completed the required number of years of service to the Group are eligible for long service payments.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from pachinko and pachislot business represents the gross pay-ins, net of the gross payouts to customers. Gross pay-ins represents the amount received from customers for rental pachinko balls and pachislot tokens. Gross payouts represents the aggregate cost of G-prizes and general prizes exchanged by customers. G-prizes are decorative cards with a small embedded piece of gold or silver or coin-shaped pendants of gold or silver which can be sold by customers to a G-prize buyer for cash, and general prizes are generally the types of goods sold in convenience stores, such as snacks, drinks and cigarettes.

Customers rent pachinko balls and pachislot tokens to play the games, and the balls or tokens won can be either exchanged for prizes or saved for subsequent visits. The Group offers both general prizes and G-prizes. Customers who opt to claim G-prizes in exchange for the pachinko balls and pachislot tokens may sell their G-prizes to an independent G-prize buyer for cash outside of the pachinko hall. Revenue is recognised at the end of each player's visit to a machine.

Hotel income is recognised at the time of occupancy.

Vending machine income is recognised on a straight line basis over the accounting periods covered by the terms and conditions as stipulated in the agreement. Contingent vending machine income is recognised when the Group sells a product to the customer.

Restaurant income is recognised when the catering services have been provided to customers.

Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from expired prepaid integrated circuit ("IC") and membership cards is recognised upon the expiry of the usage period.

Dividend income is recognised when the right to receive payment is established.

Sundry income is recognised when the right to receive payment is established.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.23 Leases

(a) As lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

As lessor

When the Company leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to the nature of the assets. Revenue arising from assets leased out under operating leases is recognised over the term of the lease on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Dividend distribution

Dividend distribution to the Company's/certain subsidiaries' shareholders is recognised as a liability in the Group's, the Company's and certain subsidiaries' financial statements in the period in which the dividends are approved by the Company's/certain subsidiaries' shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge its financial risks.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

(a) *Market risk*

(i) Foreign exchange risk

The Group has no significant foreign exchange risk as its business transactions, recognised assets and liabilities are principally denominated in Japanese Yen, its functional currency. Accordingly, sensitivity analysis has not been disclosed. The Group currently does not have any hedge instruments to hedge against foreign currency transactions.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank balances and borrowings which are carried at variable rates, which expose the Group to cash flow interest rate risk.

As at 31 March 2015, if interest rates were increased or decreased by 25 basis points and all other variables were held constant, the Group's pre-tax profit would decrease or increase by approximately ¥8 million (2014: ¥5 million) as a result of increase or decrease in net interest expense.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps to manage its interest rate exposure. The Group's main interest rate exposure relates to Japanese Yen-denominated borrowings. In the opinion of the directors, fair value interest rate risk is low as the amounts of interest rate swaps are insignificant during the year ended 31 March 2015 (2014: Same), and accordingly, sensitivity analysis has not been disclosed.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments in listed securities held by the Group which are classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income.

The table below summarises the impact of increases/decreases of the share prices of underlying financial instruments on the Group's equity. The analysis is based on the assumption that the share prices of the underlying financial instruments had increased or decreased by 5% with all other variables held constant.

	2015	2014
	¥ million	¥ million
Impact on other components of equity		
Share prices:		
— increase by 5%	**62**	79
— decrease by 5%	**(62)**	(79)

(b) Credit risk

Credit risk arises mainly from cash deposited at banks, trade receivables, deposits and other receivables, financial assets at fair value through profit or loss and through other comprehensive income.

In respect of cash deposited at banks and financial assets at fair value through profit or loss and through other comprehensive income, the credit risk is considered to be low as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Approximately 99% (2014: 99%) of the Groups revenue is received in cash. The Group's credit risk mainly arises from vending machine income receivable from vending machines providers.

As at 31 March 2015, top 5 customers of the Group accounted for approximately 59% (2014:56%) to the trade receivables of the Group. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers. Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets and receivables; and long term financing including long-term borrowings. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances as the impact of discounting is not significant.

	Within 1 year ¥ million	Between 1 and 2 years ¥ million	Between 2 and 5 years ¥ million	Over 5 years ¥ million	Total ¥ million
The Group					
As at 31 March 2015					
Trade payables	**106**	**–**	**–**	**–**	**106**
Other payables (excluding accruals)	**2,284**	**4**	**42**	**3,228**	**5,558**
Borrowings	**4,303**	**3,229**	**6,020**	**3,188**	**16,740**
Obligations under finance leases	**2,114**	**1,378**	**1,967**	**1,317**	**6,776**
	8,807	**4,611**	**8,029**	**7,733**	**29,180**
As at 31 March 2014					
Trade payables	201	–	–	–	201
Other payables (excluding accruals)	1,123	4	45	2,911	4,083
Borrowings	3,281	2,395	4,061	3,178	12,915
Obligations under finance leases	2,536	1,521	2,383	2,449	8,889
	7,141	3,920	6,489	8,538	26,088
The Company					
As at 31 March 2015					
Other payables (excluding accruals)	**314**	**6**	**–**	**–**	**320**
Borrowings	**410**	**403**	**1,188**	**1,100**	**3,101**
	724	**409**	**1,188**	**1,100**	**3,421**
As at 31 March 2014					
Other payables (excluding accruals)	1	7	–	–	8
Borrowings	369	367	1,088	1,396	3,220
	370	374	1,088	1,396	3,228

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses bank borrowings to finance its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by equity. Total debt is calculated as total borrowings (include bank borrowings and obligations under finance leases). Equity is calculated as 'equity' as shown in the consolidated statement of financial position.

The Group's strategy is to maintain optimal gearing ratio where the gearing ratio is not higher than 100% as at each statement of financial position date. The gearing ratios as at 31 March 2015 and 2014 were as follows:

	2015 **¥ million**	2014 ¥ million
Borrowings	**15,248**	12,379
Obligations under finance leases	**5,867**	7,619
Total debt	**21,115**	19,998
Equity	**22,856**	21,800
Gearing ratio	**92%**	92%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

	Level 1 ¥ million	Level 2 ¥ million	Total ¥ million
As at 31 March 2015			
Assets			
Financial assets at fair value through profit or loss			
— Debt securities	**–**	**201**	**201**
— Unlisted securities	**–**	**100**	**100**
Financial assets at fair value through other comprehensive income			
— Listed securities	**1,238**	**–**	**1,238**
— Unlisted securities	**–**	**140**	**140**
	1,238	**441**	**1,679**
Liabilities			
Derivative financial liabilities			
— Interest rate swaps	**–**	**41**	**41**
As at 31 March 2014			
Assets			
Financial assets at fair value through profit or loss			
— Debt securities	–	601	601
— Unlisted securities	–	100	100
Financial assets at fair value through other comprehensive income			
— Listed securities	1,574	–	1,574
	1,574	701	2,275
Liabilities			
Derivative financial liabilities			
— Interest rate swaps	–	48	48

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent Tokyo Stock Exchange and the Stock Exchange in Hong Kong equity investments classified as fair value through other comprehensive income which were not held for trading purpose.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 31 March 2015, instruments included in level 2 comprise bonds, trust funds, interest rate swaps issued by a financial institution in Japan and an unlisted private company's equity shares, which were classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, respectively.

There were no transfers between levels 1 and 2 during the years ended 31 March 2015 and 2014.

3.4 Offsetting financial assets and financial liabilities

As at 31 March 2015 and 2014, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in Japan. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment assessment of property, plant and equipment

The Group has substantial investments in property, plant and equipment. Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable: (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or value-in-use, which is the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment change to the profit or loss.

(d) Classification of leases

The Group has numerous buildings for pachinko and pachislot halls and pachinko and pachislot machines arranged under finance leases. The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in Note 2.23. Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position or charged to the profit or loss. Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2015	2014
	¥ million	¥ million
Revenue		
Gross pay-ins	**175,592**	236,449
Less: gross pay-outs	**(143,473)**	(203,455)
Revenue from pachinko and pachislot hall business	**32,119**	32,994
Vending machine income	**592**	704
Revenue from hotel operation	**154**	149
Revenue from restaurant operation	**21**	–
	32,886	33,847

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of adjusted profit before tax before unallocated corporate expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this consolidated financial statements.

Management has identified two reportable segments based on the types of services, namely (i) pachinko and pachislot hall operations and (ii) others, representing hotel and restaurant operations.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade receivables, prepayments, deposits and other receivables, pledged deposits and cash and bank balances. They exclude deferred income tax assets, amounts due from directors and a shareholder and assets used for corporate functions including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets. Unallocated corporate expenses and income tax expenses are not included in segment results.

The segment information provided to the executive directors for the years ended 31 March 2015 and 2014 are as follows:

	Year ended 31 March 2015		
	Pachinko and pachislot hall operations ¥ million	**Others ¥ million**	**Total ¥ million**
Segment revenue from external customers	**32,711**	**175**	**32,886**
Segment results	**5,997**	**(56)**	**5,941**
Corporate expenses			**(947)**
Profit before income tax			**4,994**
Income tax expense			**(1,964)**
Profit for the year			**3,030**
Other segment items			
Depreciation and amortisation expenses	**(2,040)**	**(25)**	**(2,065)**
Finance income	**119**	**–**	**119**
Finance costs	**(735)**	**–**	**(735)**
Capital expenditures	**3,555**	**73**	**3,628**

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Year ended 31 March 2014		
	Pachinko and pachislot hall operations ¥ million	Others ¥ million	Total ¥ million
Segment revenue from external customers	33,698	149	33,847
Segment results	6,115	1	6,116
Corporate expenses			(108)
Profit before income tax			6,008
Income tax expense			(2,310)
Profit for the year			3,698
Other segment items			
Depreciation and amortisation expenses	(2,233)	(22)	(2,255)
Finance income	58	–	58
Finance costs	(744)	–	(744)
Impairment loss on property, plant and equipment	(620)	–	(620)
Capital expenditures	5,102	2	5,104

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets as at 31 March 2015 and 2014 are as follows:

	Pachinko and pachislot hall operations ¥ million	Others ¥ million	Total ¥ million
As at 31 March 2015			
Segment assets	**45,919**	**664**	**46,583**
Unallocated assets			**2,623**
Deferred income tax assets			**1,771**
Total assets			**50,977**
As at 31 March 2014			
Segment assets	42,020	618	42,638
Unallocated assets			2,805
Deferred income tax assets			1,462
Total assets			46,905

No single external customer contributed more than 10% revenue to the Group's revenue for the year ended 31 March 2015 and 2014.

The Group is domiciled in Japan and all non-current assets of the Group as at 31 March 2015 and 2014 are located in Japan.

Notes to the Consolidated Financial Statements

6 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2015	2014
	¥ million	¥ million
Other income		
Rental income	**151**	149
Income from expired IC and membership cards	**35**	40
Dividend income	**66**	67
Compensation and subsidies (Note)	**626**	44
Income from scrap sales of used pachinko and pachislot machines	**133**	51
Others	**28**	27
	1,039	378
Other gains/(losses), net		
Gain on fair value for financial assets at fair value through profit or loss	**1**	5
Loss on disposal of financial assets at fair value through profit or loss	**(7)**	–
Gain/(loss) on fair value for interest rate swaps	**7**	(4)
Loss on disposal of property, plant and equipment	**(27)**	(101)
Net exchange gain	**29**	3
	3	(97)

Note: Compensation and subsidies were mainly received from the government and Tokyo Electric Power Company for the massive earthquake and tsunami that occurred on 11 March 2011 (the "Great East Japan Earthquake"). The disaster caused significant damages to certain property, plant and equipment and inventories in pachinko and pachislot halls located principally in the north-eastern Japan.

Notes to the Consolidated Financial Statements

7 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2015	2014
	¥ million	¥ million
Auditors' remuneration		
— Audit fees	**60**	30
— Audit related fees	**234**	21
— Other services	**46**	–
Employee benefits expenses		
— Hall operations	**4,841**	4,626
— Administrative and others	**2,042**	1,318
Operating lease rental expense in respect of land and buildings	**2,578**	2,483
Depreciation of property, plant and equipment	**2,019**	2,213
Depreciation of investment properties	**15**	14
Amortisation of intangible assets	**31**	28
Reinstatement expenses	**21**	21
Recruitment expenses	**183**	278
Travelling and transportation	**151**	138
Other taxes and duties	**455**	403
Repairs and maintenance	**206**	335
Utilities expenses	**1,136**	1,081
Consumables and cleaning	**1,552**	1,561
Outsourcing service expenses	**1,101**	1,223
G-Prize procurement expenses to wholesalers	**798**	804
Pachinko and pachislot machines expenses (Note)	**8,399**	8,216
Advertising expenses	**1,348**	1,362
Impairment loss on property, plant and equipment	**–**	620
Write-off of doubtful debts	**–**	2
Legal and professional fees	**38**	2
Professional expenses incurred in connection with the Company's Listing	**420**	–
Others	**644**	655
	28,318	27,434

Note: Pachinko and pachislot machines are expensed off in the consolidated statement of comprehensive income upon installation. The expected useful lives of these machines are less than one year.

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 ¥ million	2014 ¥ million
Salaries, bonuses and allowances	**5,584**	4,772
Pension costs — defined contribution plan	**66**	61
Other employee benefits	**1,233**	1,111
	6,883	5,944

(a) Pension costs — defined contribution plans

The Company and its subsidiaries operate a defined contribution plan which covers all full-time employees and directors. No forfeited contribution was incurred during the year (2014: Nil).

(b) Directors' emoluments

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 March 2015 and 2014 is set out below:

Year ended 31 March 2015

Name	Fee ¥ million	Salaries, allowances and other benefits ¥ million	Defined contribution pension costs ¥ million	Total ¥ million
Directors				
Hisanori Taniguchi	**86**	**–**	**1**	**86**
Tatsuo Taniguchi	**33**	**600**	*****	**633**
Hidenori Morota	**26**	**–**	**1**	**27**
Akinori Ohishi	**16**	**–**	**1**	**17**
Independ ent non-executive directors				
Hiroaki Morita	**4**	**–**	**–**	**4**
Norio Nakayama	**3**	**–**	**–**	**3**
Masaharu Togo	**3**	**–**	**–**	**3**
Hiroaki Kumamoto	**1**	**–**	**–**	**1**
External director (Note)				
Hiroshi Bannai	1	–	–	1
	173	**600**	**3**	**776**

* Insignificant amount less than ¥ 1 million

Note: Mr. Hiroshi Bannai was an external director in accordance with the requirements under the Japan Companies Act of the Company prior to his retirement on 31 October 2014.

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' emoluments (Continued)

Year ended 31 March 2014

Name	Fee	Salaries, allowances and other benefits	Discretionary bonuses	Defined contribution pension costs	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
Directors					
Hisanori Taniguchi	44	–	–	1	45
Tatsuo Taniguchi	36	–	–	1	37
Hidenori Morota	22	–	–	1	23
Akinori Oishi	17	–	–	1	18
Independent non-executive director					
Hiroaki Morita	4	–	–	–	4
	123	–	–	4	127

Directors' dates of appointment and resignation are as follows:

Name	**Appointed on**	**Resigned on**
Executive directors		
Hisanori Taniguchi	28 February 1987	–
Tatsuo Taniguchi	10 January 2013	25 June 2014
Hidenori Morota	10 January 2013	25 June 2014
Akinori Ohishi	10 January 2013	25 June 2014
Independent non-executive directors		
Hiroaki Morita	10 January 2013	–
Norio Nakayama	25 June 2014	–
Masaharu Togo	25 June 2014	–
Hiroaki Kumamoto	28 November 2014	–
External director		
Hiroshi Bannai	25 June 2014	31 October 2014

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' emoluments (Continued)

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or their capacity as directors of the Company during the years ended 31 March 2015 and 2014.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2015 and 2014.

(c) Directors' retirement benefits

The retirement benefits paid to Mr.Tatsuo Taniguchi during the year ended 31 March 2015 in respect of Mr. Tatsuo Taniguchi's services as a director of the Company and its subsidiaries is ¥600 million (2014: nil). No other retirement benefits were paid to Mr. Hidenori Morota and Mr. Akinori Ohishi in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2015 include 3 (2014: 4) directors whose emoluments are reflected in above. The emoluments payable to the remaining 2 (2014: 1) individuals during the year ended 31 March 2015 are as follows:

	2015	2014
	¥ million	¥ million
Salaries, allowances and other benefits	**25**	10
Bonuses	**–**	2
Pension cost — defined contribution plan	**2**	*
	27	12

* Insignificant amount less than ¥ 1 million

Save as disclosed in the directors' emoluments, the number of highest paid individuals whose remuneration fell within the following band is as follows:

	Number of individuals	
	2015	2014
	¥ million	¥ million
Emolument bands		
HK$1,000,001 to HK$1,500,000 (equivalent to approximately ¥10,000,001 to ¥15,000,000)	**2**	1

Notes to the Consolidated Financial Statements

9 FINANCE COSTS, NET

	2015 ¥ million	2014 ¥ million
Finance income		
Bank interest income	**1**	1
Other interest income	**118**	57
	119	58
Finance costs		
Bank borrowings	**(340)**	(323)
Bond interest expense	**(7)**	(5)
Obligations under finance leases	**(330)**	(364)
Provision for unwinding discount	**(58)**	(52)
	(735)	(744)
Finance costs, net	**(616)**	(686)

10 INCOME TAX EXPENSE

	2015 ¥ million	2014 ¥ million
Current tax		
— Japan corporate income tax	**2,155**	2,387
Deferred income tax (Note 30)	**(191)**	(77)
	1,964	2,310

Japan corporate income tax has been calculated on the estimated assessable profit for the years ended 31 March 2015 and 2014 at the rates of taxation prevailing in Japan in which the Group operates.

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2015 and 2014 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 March 2015 and 2014.

10 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Japan as follows:

	2015	2014
	¥ million	¥ million
Profit before income tax	**4,994**	6,008
Tax calculated at applicable Japan corporate income tax rate	**1,759**	2,259
Income not subject to tax	**(11)**	(25)
Expenses not deductible for tax purpose	**26**	38
Unrecognised tax losses	**115**	31
Family corporation tax	**–**	111
Utilisation of previously unrecognised tax losses	**(20)**	(223)
Effect of change in tax rate	**162**	119
Tax deduction	**(67)**	–
	1,964	2,310

The Group is subject to national corporate income tax, inhabitants tax, and enterprise tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 35.2% (2014: 37.6%) for the year ended 31 March 2015.

As a result of the 2011 Reform Amendment Tax Law and the Special Restoration Tax Law that were promulgated on 2 December 2011, the national corporate income tax rate of Japan reduced from 30% to 25.5% from fiscal years beginning on or after 1 April 2012 and 10% temporary restoration corporation surtax was introduced on the corporate income tax applicable for 3 years period from fiscal years beginning on or after 1 April 2012.

Under The Act on Partial Revision of the Income Tax Act, etc.* (所得税法等の一部を改正する法律) of Japan (Act No. 10 of 2014) (the "2014 Tax Reform") that was promulgated on 31 March 2014, 10% temporary restoration corporation surtax ceased one year ahead of schedule and do not apply for the fiscal year beginning on or after 1 April 2014. The Group measured the current income tax for the current year based on revised applicable income tax rates. The relevant deferred tax assets and liabilities as at 31 March 2014 have been remeasured at the tax rates that are expected to apply to the period when the related assets and liabilities are realised or settled.

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2015 and 2014.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 March 2015 and 2014 have been retrospectively adjusted to reflect sub-division of every issued share of nil par value into 230 shares of nil par value with effect from 31 March 2015 (Note 24(i)).

	2015	2014
Profit attributable to owners of the Company (¥ million)	**3,030**	3,698
Weighted average number of ordinary shares in issue (thousands)	**895,850**	895,850
Basic and diluted earnings per share (Japanese Yen)	**3**	4

No diluted earnings per share is presented as there was no potential dilutive shares during the years ended 31 March 2015 and 2014. Diluted earnings per share is equal to the basic earnings per share.

12 DIVIDENDS

During the year ended 31 March 2014, Niraku Corporation and Nexia Inc. paid dividends of ¥156 million (¥40 per ordinary share) and ¥27 million (¥10,000 per ordinary share), respectively, to their then shareholders in respect of the year ended 31 March 2013.

During the year ended 31 March 2015, the Company and Nexia Inc. paid dividend of ¥156 million (¥40 per ordinary share) and ¥27 million (¥10,000 per ordinary share), respectively, to their then shareholders in respect of the year ended 31 March 2014.

The board of directors of the Company proposes the payment of a final dividend of ¥0.76 per ordinary share totalling ¥909 million in respect of the year ended 31 March 2015. These financial statements do not reflect this dividend payable.

13 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Freehold land ¥ million	Buildings ¥ million	Leasehold improvements ¥ million	Equipment and tools ¥ million	Motor vehicles ¥ million	Construction in progress ¥ million	Total ¥ million
At 1 April 2013							
Cost	7,400	12,786	9,950	9,582	236	61	40,015
Accumulated depreciation and provision for impairment	–	(5,095)	(5,468)	(5,584)	(133)	–	(16,280)
Net book amount	7,400	7,691	4,482	3,998	103	61	23,735
Year ended 31 March 2014							
Opening net book amount	7,400	7,691	4,482	3,998	103	61	23,735
Transfer	–	467	912	–	–	(1,379)	–
Additions	–	2,109	–	1,555	15	1,370	5,049
Disposals	(11)	(56)	(42)	(25)	–	–	(134)
Impairment (Note 7)	–	(284)	(201)	(134)	(1)	–	(620)
Depreciation (Note 7)	–	(576)	(583)	(1,020)	(34)	–	(2,213)
Closing net book amount	7,389	9,351	4,568	4,374	83	52	25,817
At 1 April 2014							
Cost	7,389	15,261	10,476	10,719	250	52	44,147
Accumulated depreciation and provision for impairment	–	(5,910)	(5,908)	(6,345)	(167)	–	(18,330)
Net book amount	7,389	9,351	4,568	4,374	83	52	25,817
Year ended 31 March 2015							
Opening net book amount	7,389	9,351	4,568	4,374	83	52	25,817
Transfer	–	801	1,188	–	–	(1,989)	–
Additions	363	19	–	1,200	13	1,960	3,555
Disposals	–	(195)	(26)	(6)	–	–	(227)
Depreciation (Note 7)	–	(535)	(556)	(896)	(32)	–	(2,019)
Closing net book amount	7,752	9,441	5,174	4,672	64	23	27,126
At 31 March 2015							
Cost	7,752	15,460	11,608	11,896	167	23	46,906
Accumulated depreciation and provision for impairment	–	(6,019)	(6,434)	(7,224)	(103)	–	(19,780)
Net book amount	7,752	9,441	5,174	4,672	64	23	27,126

Depreciation expenses of ¥1,937 million (2014: ¥2,117 million) has been charged in "hall operating expenses" and ¥82 million (2014: ¥96 million) has been charged in "administrative and other operating expenses" for the year ended 31 March 2015.

Construction in progress as at 31 March 2015 represents pachinko and pachislot halls being constructed in Japan.

The net carrying amount of the Group's property, plant and machinery that were pledged for the banking facilities granted to the Group for the year ended 31 March 2015 and 2014 has been disclosed in Note 28.

13 PROPERTY, PLANT AND EQUIPMENT — GROUP (CONTINUED)

The Group's property, plant and equipment held under finance leases included in the total amount of buildings were as follows:

	2015	2014
	¥ million	¥ million
Buildings		
Cost — capitalised finance leases	**5,257**	5,859
Accumulated depreciation	**(2,192)**	(1,844)
	3,065	4,015

The Group carried out reviews of the recoverable amounts of each cash-generating unit ("CGU"), which is determined as each individual pachinko and pachislot hall and a pachinko and pachislot hall with hotel business and a restaurant.

For the year ended 31 March 2014, in view that some of the CGUs in Japan are performing below management's expectations of their initial budget and continuously making operating losses, and are projected to continuously incur losses in the future periods, the directors have reviewed the recoverability of the relevant carrying amounts of these loss-making CGUs.

The recoverable amount of a CGU is determined based on the value-in-use of calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The key assumptions used in the value-in-use calculation for the years ended 31 March 2015 and 2014.

	2015	2014
Revenue growth rate	**0%**	0%
Discount rate	**9.2%**	8.7%

The discount rates applied by the Group are rates that reflect current market assessment of the time value of money and the risk specific to the CGU. Revenue growth rate is based on past practices and expectations on market and operational development.

There is no impairment loss recognised for the year ended 31 March 2015. For the year ended 31 March 2014, as a result of the impairment review, the carrying amounts of certain CGUs exceeded their recoverable amounts. Accordingly, impairment loss of approximately ¥620 million has been recognised in respect of buildings and leasehold improvements of the pachinko halls.

Notes to the Consolidated Financial Statements

14 INVESTMENTS IN SUBSIDIARIES — COMPANY

	2015 ¥ million	2014 ¥ million
Unlisted equity investments, at cost	**16,286**	16,286

The Company has direct or indirect interests in the following subsidiaries:

Name	Country and date of incorporation	Principal activities	Type of legal status	Issued and paid up capital	Effective interest held as at 31 March 2014	Effective interest held as at 31 March 2015
Directly held						
Niraku Corporation	Japan 27 August 1969	Pachinko and pachislot hall operations	Limited liability company	257 million Japanese Yen	100%	**100%**
Indirectly held						
Nexia Inc.	Japan 19 June 2009	Property investment	Limited liability company	30 million Japanese Yen	100%	**100%**
Niraku Merrist Corporation	Japan 24 February 2010	Cleaning service provision	Limited liability company	5 million Japanese Yen	100%	**100%**

15 INVESTMENT PROPERTIES — GROUP

	2015 ¥ million	2014 ¥ million
At 1 April	**791**	770
Cost	**(115)**	(101)
Accumulated depreciation	**676**	669
At cost		
Opening balance at beginning of year	**676**	669
Additions	**20**	21
Depreciation	**(15)**	(14)
At end of year	**681**	676
At end of year		
Cost	**811**	791
Accumulated depreciation	**(130)**	(115)
	681	676

15 INVESTMENT PROPERTIES — GROUP (CONTINUED)

The investment properties have been pledged to secure general facilities granted to the Company (Note 28).

The Group had no unprovided contractual obligations for future repairs and maintenance as at 31 March 2015 and 2014.

Investment properties are situated in Japan and rented out under operating lease. Amounts recognised in profit and loss for investment properties are as follows:

	As at 31 March	
	2015	2014
	¥ million	¥ million
Rental income	**95**	95
Direct operating expenses from property that generated rental income	**(16)**	(21)
	79	74

The Group's investment properties were valued as at 31 March 2015 and 2014 by an independent professionally qualified valuer, DTZ Debenham Tie Leung ("DTZ"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. The valuation was determined using the income capitalisation approach (term and reversionary method) which largely used observable and unobservable inputs, including market rent, yield and estimation in vacancy rate after expiry of current lease. The investment properties are recognised under level 3 of the fair value hierarchy.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC, the valuation team and valuers at least annually.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount, impairment loss will be recognised by the Group.

The fair value of the investment properties at 31 March 2015 is ¥755 million (2014: ¥708 million). No impairment loss was recognised.

16 INTANGIBLE ASSETS — GROUP

	Goodwill ¥ million	Computer software ¥ million	Total ¥ million
At 1 April 2013			
Cost	104	571	675
Accumulated amortisation	–	(514)	(514)
Net book amount	104	57	161
Year ended 31 March 2014			
Opening net book amount	104	57	161
Additions	–	34	34
Amortisation (Note 7)	–	(28)	(28)
Closing net book amount	104	63	167
At 1 April 2014			
Cost	**104**	**605**	**709**
Accumulated amortisation	**–**	**(542)**	**(542)**
Net book amount	**104**	**63**	**167**
Year ended 31 March 2015			
Opening net book amount	**104**	**63**	**167**
Additions	**–**	**53**	**53**
Amortisation (Note 7)	**–**	**(31)**	**(31)**
Closing net book amount	**104**	**85**	**189**
At 31 March 2015			
Cost	**104**	**634**	**738**
Accumulated depreciation	**–**	**(549)**	**(549)**
Net book amount	**104**	**85**	**189**

Intangible assets represent computer software and goodwill arising from purchase of 2 pachinko and pachislot halls from certain third parties. Amortisation expenses relating to computer software of ¥31 million (2014: ¥28 million) has been charged in "hall operating expenses" for the year ended 31 March 2015.

Goodwill is allocated to each CGU, which is determined as each individual pachinko and pachislot hall. Management reviews annually whether the carrying amount of a CGU is higher than the recoverable amount which results in impairment of goodwill. The recoverable amount of a CGU is determined based on value-in-use calculation. The calculation use pre-tax cash flow projections based on financial budget approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated in Note 13. As a result of the impairment review, the recoverable amounts of the CGUs in which goodwill has been allocated are higher than their carrying amounts as at 31 March 2015 and 2014. As a result, no impairment loss was charged during the years ended 31 March 2015 and 2014.

17 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

	Group	
	2015	2014
	¥ million	¥ million
Financial assets		
Financial assets at fair value		
Fair value through profit or loss	**301**	701
Fair value through other comprehensive income	**1,378**	1,574
	1,679	2,275
Financial assets at amortised cost		
Trade receivables	**52**	54
Deposits and other receivables (including amounts due from directors and a shareholder)	**3,782**	3,023
Cash and bank balances	**11,891**	10,199
	15,725	13,276
	17,404	15,551
Financial liabilities		
Financial liabilities at fair value		
Derivative financial instruments	**41**	48
Other financial liabilities at amortised cost		
Trade payables	**106**	201
Other payables	**3,937**	2,586
Borrowings (including amounts due to a shareholder)	**15,248**	12,379
Obligations under finance leases	**5,867**	7,619
	25,158	22,785
	25,199	22,833

17 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (CONTINUED)

	Company	
	2015	2014
	¥ million	¥ million
Financial assets		
Financial assets at amortised cost		
Deposits and other receivables	**–**	121
Cash and bank balances	**396**	93
	396	214
Financial liabilities		
Financial liabilities at amortised cost		
Other payables	**283**	8
Borrowings	**2,787**	3,129
	3,070	3,137

18 FINANCIAL ASSETS AT FAIR VALUE — GROUP

(a) Financial assets at fair value through profit or loss

	2015	2014
	¥ million	¥ million
Unlisted securities		
— Debt securities	**301**	701
Less: non-current portion	**(201)**	(601)
Current portion	**100**	100

Change in fair value of financial assets at fair value through profit or loss are recorded in "other gains/(losses), net" in the consolidated statement of comprehensive income (Note 6).

The fair values of these debt and equity securities are determined by discounted cash flow approach and the information available from recent transactions price.

18 FINANCIAL ASSETS AT FAIR VALUE — GROUP (CONTINUED)

(b) Financial assets at fair value through other comprehensive income

	2015	2014
	¥ million	¥ million
Listed securities		
— Equity securities	**1,238**	1,574
Unlisted securities		
— Equity securities	**140**	–
	1,378	1,574

Changes in fair values of financial assets at fair value through other comprehensive income are recorded in "investment revaluation reserves" in the consolidated statement of change in equity.

The fair value of all equity securities is based on the current bid prices and the information available from recent transaction prices.

19 DERIVATIVE FINANCIAL INSTRUMENTS — GROUP

	2015	2014
	¥ million	¥ million
Interest rate swaps	**41**	48
Less: non-current portion	**(26)**	(33)
Current portion	**15**	15

Derivative financial instruments are utilised by the Group in the management of its interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swaps agreement with banks mainly to swap floating interest rate borrowings to fixed interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. As at 31 March 2015, the notional amount of the outstanding interest rate swaps agreement with the banks amounted to ¥2,873 million (2014: ¥2,052 million).

20 INVENTORIES — GROUP

	2015 ¥ million	2014 ¥ million
Supplies	**719**	21

The cost of inventories recognised as expenses and included in "hall operating expenses" amounted to ¥8,399 million (2014: ¥8,216 million) and "Administrative and other operating expenses" amounted to ¥3 million (2014: ¥18 million) for the year ended 31 March 2015.

21 TRADE RECEIVABLES — GROUP

	2015 ¥ million	2014 ¥ million
Trade receivables	**57**	59
Less: provision for impairment of trade receivables	**(5)**	(5)
	52	54

Trade receivables represent income receivable from vending machines. The credit terms granted by the Group generally ranged from 0 to 30 days.

The creation and release of provision for impaired receivables have been included in "administrative and other operating expenses" in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As at 31 March 2015 and 2014, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2015 ¥ million	2014 ¥ million
Less than 30 days	**49**	51
Over 90 days	**8**	8
	57	59

21 TRADE RECEIVABLES — GROUP (CONTINUED)

As at 31 March 2015, trade receivables of ¥3 million (2014: ¥3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables, based on due date, is as follows:

	2015 ¥ million	2014 ¥ million
Overdue but not impaired		
Over 90 days	**3**	3

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable amount mentioned above. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values as at 31 March 2015 and 2014; and are denominated in Japanese Yen.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP

	2015 ¥ million	2014 ¥ million
Non-current portion		
Rental and other deposits	**3,408**	2,597
Rental prepayments	**1,233**	1,540
Loans to other employees	**1**	2
Other prepayments and receivables	**130**	112
	4,772	4,251

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP (CONTINUED)

	2015	2014
	¥ million	¥ million
Current portion		
Prepayment for prizes in operation for pachinko and pachislot halls	**700**	689
Rental prepayments	**450**	510
Loans to other employees	**1**	1
Prepayments for professional fee incurred in connection with the Company's listing	**149**	–
Other prepayments and receivables	**302**	346
	1,602	1,546

The carrying amounts of prepayment, deposits and other receivables approximate their fair values as at 31 March 2015 and 2014; and are denominated in Japanese Yen.

Certain deposits and other receivables have been pledged to secure general facilities granted to the Company (Note 28).

23 CASH AND BANK BALANCES — GROUP AND COMPANY

	Group		**Company**	
	2015	2014	**2015**	2014
	¥ million	¥ million	**¥ million**	¥ million
Non-current portion				
Bank deposits with maturity over 1 year	**125**	84	**–**	–
Current portion				
Bank deposits with maturity over 3 months	**1,186**	606	**–**	–
Pledged bank deposits (Note 28)	**1,100**	1,100	**–**	–
	2,286	1,706	**–**	–
Cash on hand	**887**	1,017	**–**	–
Cash at banks	**8,593**	7,392	**396**	93
Cash and cash equivalents	**9,480**	8,409	**396**	93
Total cash and bank balances	**11,891**	10,199	**396**	93

(a) The pledged bank deposits are held in designated bank accounts mainly for the Group's banking facilities (Note 28).

23 CASH AND BANK BALANCES — GROUP AND COMPANY (CONTINUED)

(b) The carrying amounts of bank deposits with maturity over 3 months, cash and bank balances and pledged deposits are denominated in the following currencies:

	Group		Company	
	2015	2014	**2015**	2014
	¥ million	¥ million	**¥ million**	¥ million
Japanese Yen	**11,819**	10,195	**396**	93
Others	**72**	4	**–**	–
	11,891	10,199	**396**	93

24 SHARE CAPITAL — GROUP AND COMPANY

	Note	Ordinary No. of shares	Veto No. of shares	Total No. of shares
Authorised				
At 31 March 2013 and 1 April 2014		20,000,000	1	20,000,001
Conversion of veto share to ordinary share	(ii)	1	(1)	–
Increase in authorised share capital	(i)	1,979,999,999	–	1,979,999,999
At 31 March 2015		**2,000,000,000**	**–**	**2,000,000,000**
Issued and paid up				
Issued during the year and at 31 March 2013 and 1 April 2014		3,895,001	1	3,895,002
Conversion of veto share to ordinary share	(ii)	1	(1)	–
Share sub-division	(i)	891,955,458	–	891,955,458
At 31 March 2015		**895,850,460**	**–**	**895,850,460**
Total amount (in Japanese Yen)				
At 31 March 2013 and 1 April 2014		9,996,700	3,300	10,000,000
At 31 March 2015		**10,000,000**	**–**	**10,000,000**

(i) Pursuant to the resolutions of the board of directors dated 16 March 2015, the directors approved: (i) the increase of the number of shares authorised was issued by the Company from 20,000,000 shares to 2,000,000,000 shares; and (ii) the sub-division of every issued share of nil par value in the share capital into 230 shares of nil par value, such that the issued share capital of the Company increased from 3,895,002 shares to 895,850,460 shares. The sub-division took effect on 31 March 2015.

(ii) Pursuant to the resolutions of the board of directors dated 9 December 2014, the directors resolved to cancel the one class-A share (veto share) and convert it into one newly issued common share, which was allotted to our Chairman on the same day. As a result, our total number of issued shares became 3,895,002 common shares. Pursuant to the Articles of Incorporation, the Company is not allowed to issue any other class of shares other than the common shares after the Listing.

25 RESERVES — GROUP AND COMPANY

(a) Capital surplus

Under the Japan Companies Act, certain portion of the consideration from the issuance of share capital shall be credited to the share capital and the remaining of the consideration shall be credited to capital surplus.

On 17 September 2014, Niraku Corporation transferred certain tangible assets totalling ¥1,110 million, which, amongst others, included the entire issued stock of Niraku USA Inc. to Niraku Investment Inc.

On the same date, the Company declared and distributed a distribution in specie out of its capital surplus by way of distributing 3,895,002 shares in Niraku Investment Inc., representing its entire number of issued shares, to the Controlling Shareholders. Since then, the businesses of Niraku Investment Inc. and Niraku USA Inc. that were not related to the core business of pachinko halls operation under the Company were excluded from the Group.

(b) Capital reserve

Capital reserve represents the difference between the value of net assets of the subsidiary acquired by the Company and the share capitals in two acquired subsidiaries under common control.

(c) Legal reserve

The Japan Companies Act provides that a 10% dividend paid during the year shall be appropriated as legal reserve (a component of either capital surplus or retained earnings) until an aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The legal reserve may be used to reduce a deficit or transfer to share capital upon approval of the general meeting of shareholders.

(d) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of financial assets through other comprehensive income held at the end of the reporting period.

(e) Purchase of treasury shares

On 29 September 2014, Nexia Inc. resolved to repurchase 2,550 issued shares for cash consideration of approximately ¥497 million upon the approval by the board of directors of Nexia Inc. The repurchase of shares resulted in reduction in retained earnings of ¥497 million during the year ended 31 March 2015. On 30 September 2014, Nexia Inc. cancelled all of these shares.

On 29 September 2014, Niraku Corporation purchased 150 issued shares of Nexia Inc. from Mr. Tatsuo Taniguchi at cash consideration of approximately ¥29 million.

25 RESERVES — GROUP AND COMPANY (CONTINUED)

(f) Reserves — the Company

	Capital surplus (Note 25(a)) ¥ million	Retained Earnings ¥ million	Total ¥ million
Balances at 1 April 2013	12,844	(10)	12,834
Profit for the year	–	518	518
Balance at 31 March 2014 and 1 April 2014	12,844	508	13,352
Profit for the year	–	2,488	2,488
Total profit and comprehensive income for the year	12,844	2,996	15,840
Reduction in surplus capital upon distribution in specie (Note 25(a))	(1,110)	–	(1,110)
	(1,110)	–	(1,110)
Dividend	–	(156)	(156)
Balances at 31 March 2015	**11,734**	**2,840**	**14,574**

26 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2015 and 2014 were as follows:

	2015 ¥ million	2014 ¥ million
Less than 30 days	**31**	112
31–90 days	**75**	89
	106	201

The carrying amounts of trade payables approximate their fair values as at 31 March 2015 and 2014; and are denominated in Japanese Yen.

27 ACCRUALS, PROVISIONS AND OTHER PAYABLES — GROUP

	2015	2014
	¥ million	¥ million
Non-current portion		
Provision for reinstatement costs	**1,529**	1,320
Provision for long service payment	**25**	22
Vending machine rental deposit and rental receipt in advance	**86**	105
Other payables	**36**	38
	1,676	1,485
Current portion		
Accrued purchases for pachinko and pachislot machines	**487**	162
Accrued purchases for property, plant and equipment	**566**	16
Accrued staff costs	**766**	715
Vending machine rental receipt in advance	**244**	276
Unutilised balls and tokens	**544**	215
Other tax payable	**767**	386
Office expenses and consumables	**464**	490
Utilities payable	**53**	36
Other payables	**318**	48
	4,209	2,344

The carrying amounts of other payables approximate their fair values as at 31 March 2015 and 2014; and are denominated in Japanese Yen.

28 BORROWINGS — GROUP AND COMPANY

	Group		Company	
	2015	2014	**2015**	2014
	¥ million	¥ million	**¥ million**	¥ million
Non-current portion				
Bank loans	**5,214**	3,469	**2,436**	2,779
Syndicated loans	**5,593**	5,606	**–**	–
Bonds	**511**	195	**–**	–
	11,318	9,270	**2,436**	2,779
Current portion				
Bank loans	**2,822**	2,233	**351**	350
Syndicated loans	**985**	851	**–**	–
Bonds	**123**	25	**–**	–
	3,930	3,109	**351**	350
Total borrowings	**15,248**	12,379	**2,787**	3,129

As at 31 March 2015 and 2014, the Group's borrowings were repayable as follows:

	Group		Company	
	2015	2014	**2015**	2014
	¥ million	¥ million	**¥ million**	¥ million
Within 1 year	**3,930**	3,109	**351**	350
Between 1 and 2 years	**2,944**	2,278	**351**	350
Between 2 and 5 years	**5,398**	3,884	**1,054**	1,051
Over 5 years	**2,976**	3,108	**1,031**	1,378
	15,248	12,379	**2,787**	3,129

The average effective interest rates (per annum) at the end of each reporting period were set out as follows:

	Group		Company	
	2015	2014	**2015**	2014
Bank loans	**2.6%**	2.7%	**2%**	2%
Syndicated loans	**2.3%**	2.3%	**–**	–
Bonds	**2.0%**	1.4%	**–**	–

28 BORROWINGS — GROUP AND COMPANY (CONTINUED)

During the year ended 31 March 2015, the borrowings of the Group included borrowings under sales and lease-back arrangement amounting to ¥1,409 million (2014: Nil), where the Group agreed to sell certain leasehold improvements to a third party lessor at an aggregate consideration of ¥1,495 million and the lessor agreed to lease-back the leasehold improvements to the Group for a total lease payments of ¥1,673 million covering a period of 84 months. The Group has an option to renew for a further term of 1 year on the 20th of the preceding month before the end of each lease term at no cost. During the lease period, the Group cannot transfer or pledge to any party the relevant leasehold improvements.

At the end of each reporting period, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2015	2014
	¥ million	¥ million
Property, plant and equipment	**7,991**	7,902
Investment properties	**681**	676
Bank deposits	**1,100**	1,100
Deposits and other receivables	**258**	339
Other long term assets	**40**	37
	10,070	10,054

As at 31 March 2014, certain of the Group's borrowings and obligations under finance leases (Note 29) were guaranteed by the directors, namely Mr. Hisanori Taniguchi, Mr. Masataka Taniguchi and Mr. Tatsuo Taniguchi. These personal guarantees were replaced by the corporate guarantees on 20 March 2015.

The undrawn borrowing facilities of the Group at each reporting period as follows:

	2015	2014
	¥ million	¥ million
Floating rate		
— Expiring over 1 year	**–**	1,000

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2015 and 2014.

As at 31 March 2015 and 2014, the principal amounts of bonds issued by the Group carried at fixed interest rate per annum are as follows:

Issue date	**Principal amount** ¥ million	**Interest rate**	**Due date**
28 August 2012	160	0.70%	26 August 2022
30 November 2012	100	0.60%	30 November 2022
28 August 2014	400	0.31%	26 August 2016
19 September 2014	100	1.00%	19 September 2019

29 OBLIGATIONS UNDER FINANCE LEASES — GROUP

	2015	2014
	¥ million	¥ million
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**2,114**	2,536
Later than 1 year and no later than 2 years	**1,378**	1,521
Later than 2 years and no later than 5 years	**1,967**	2,383
Later than 5 years	**1,317**	2,449
	6,776	8,889
Future finance charges on finance leases	**(909)**	(1,270)
Present values of finance lease liabilities	**5,867**	7,619

The present values of finance lease liabilities are as follows:

	2015	2014
	¥ million	¥ million
No later than 1 year	**1,886**	2,253
Later than 1 year and no later than 2 years	**1,212**	1,312
Later than 2 years and no later than 5 years	**1,675**	2,009
Later than 5 years	**1,094**	2,045
Total obligations under finance lease	**5,867**	7,619
Less: Amount included in current liabilities	**(1,886)**	(2,253)
Non-current obligations under finance leases	**3,981**	5,366

Assets arranged under finance leases represent buildings for pachinko and pachislot halls and pachinko and pachislot machines. The average lease term range from 1 to 20 years with effective interest rate range from 2.46% to 5.30% per annum as at 31 March 2015 (2014: 4.56% to 4.86% per annum). No arrangements have been entered into for contingent rental payments during the reporting periods.

30 DEFERRED INCOME TAX — GROUP

The analysis of deferred income tax assets is as follows:

	2015	2014
	¥ million	¥ million
Deferred income tax assets		
— to be recovered after more than 12 months	**1,166**	1,657
— to be recovered within 12 months	**2,004**	1,511
	3,170	3,168
Deferred income tax liabilities		
— to be recovered after more than 12 months	**(1,399)**	(1,706)
Deferred income tax assets, net	**1,771**	1,462

The net movement on the deferred income tax account is as follows:

	2015	2014
	¥ million	¥ million
At 1 April	**1,462**	1,612
Credit/(charged) to other comprehensive income	**118**	(227)
Credited to profit or loss	**191**	77
Deferred income tax assets	**1,771**	1,462

30 DEFERRED INCOME TAX — GROUP (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 March 2015 and 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Property, plant and equipment ¥ million	Asset retirement obligation ¥ million	Fair value through profit and loss financial assets ¥ million	Other provisions ¥ million	Total ¥ million
Balances at 1 April 2013	1,877	443	38	774	3,132
Credited/(charged) to profit or loss	275	45	(10)	(274)	36
Balances at 31 March 2014 and 1 April 2014	2,152	488	28	500	3,168
Credited/(charged) to profit or loss	(344)	24	3	319	2
Balance at 31 March 2015	1,808	512	31	819	3,170

Deferred income tax liabilities

	Property, plant and equipment ¥ million	Fair value through other comprehensive income ¥ million	Total ¥ million
Balance at 1 April 2013	(1,450)	(70)	(1,520)
Charged to other comprehensive income	–	(227)	(227)
Credited to profit or loss	41	–	41
Balances at 31 March 2014 and 1 April 2014	(1,409)	(297)	(1,706)
Credited to other comprehensive income	–	118	118
Credited to profit or loss	189	–	189
Balance at 31 March 2015	**(1,220)**	**(179)**	**(1,399)**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately ¥31 million in respect of losses amounting to approximately ¥81 million that can be carried forward against future taxable income as at 31 March 2014. The Group did not have unrecognised tax losses as at 31 March 2015. Losses can be carried forward for 7 years.

Other than the above, there was no material unprovided deferred income tax as at 31 March 2015 and 2014.

31 CASH GENERATED FROM OPERATIONS

	2015 ¥ million	2014 ¥ million
Profit before income tax	**4,994**	6,008
Adjustments for:		
Depreciation of property, plant and equipment	**2,019**	2,213
Depreciation of investment properties	**15**	14
Amortisation of intangible assets	**31**	28
Loss on disposal of property, plant and equipment	**27**	101
Impairment loss of property, plant and equipment	**–**	620
Write-off/(reversal) of doubtful debts	**–**	2
Finance costs, net	**616**	686
Dividend income	**(66)**	(67)
(Gain)/loss on fair value for derivative financial instruments	**(7)**	4
Gain on fair value for financial assets at fair value through profit or loss	**(1)**	(5)
Loss on disposal of financial assets at fair value through profit or loss	**7**	–
Changes in working capital:		
Inventories	**1,042**	2,535
Trade receivables	**2**	10
Prepayments, deposits and other receivables	**(1,466)**	(1,151)
Amounts due from directors and a shareholder	**378**	12
Trade payables	**(95)**	(181)
Accruals, provisions and other payables	**1,320**	(1,222)
Cash generated from operations	**8,816**	9,607

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2015 ¥ million	2014 ¥ million
Net book amount	**227**	134
Loss on disposal of property, plant and equipment	**(27)**	(101)
Proceeds from disposal of property, plant and equipment	**200**	33

Non-cash transactions:

(a) For the year ended 31 March 2015, certain property, plant and equipment and pachinko and pachislot machines amounting to ¥2,920 million (2014: ¥6,156 million) were purchased under finance leases.

(b) For the year ended 31 March 2015, certain finance lease obligations amounting to ¥571 million (2014: ¥628 million) were settled through reduction of rental prepayments.

32 CONTINGENCIES — GROUP AND COMPANY

As at 31 March 2015, the Group did not have any significant contingent liabilities (2014: Same).

33 COMMITMENTS — GROUP AND COMPANY

(a) Capital commitments — Group

The outstanding commitments not provided for in the consolidated financial statements as at 31 March 2015 and 2014 are as follows:

	2015	2014
Contracted but not provided for purchase of property, plant and equipment	**41**	–

(b) Operating lease commitments — Group

(i) As a lessee

As at 31 March 2015 and 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and pachinko and pachislot halls as follows:

	2015	2014
	¥ million	¥ million
No later than one year	**917**	737
Later than one year and no later than five years	**3,524**	3,089
Over five years	**5,244**	5,247
	9,685	9,073

(ii) As a lessor

As at 31 March 2015 and 2014, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	2015	2014
	¥ million	¥ million
No later than one year	**42**	44

(c) The Company did not have any commitments as at 31 March 2015 (2014: Same).

34 RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group during the year ended 31 March 2015 and 2014:

Name of related party	Relationship with the Group
Hisanori Taniguchi	Director of the Company, one of the Controlling Shareholders
Tatsuo Taniguchi	Director of the Company, one of the Controlling Shareholders
Masataka Taniguchi	Director of the Company, one of the Controlling Shareholders
Tateo Taniguchi (Note)	One of the Controlling Shareholders
Yoshihiro Tei	One of the Controlling Shareholders
Noriko Kaneshiro	One of the Controlling Shareholders
Kyoko Taniguchi	Close family member of certain parties among the Controlling Shareholders
Jukki Limited	One of the Controlling Shareholders
Densho Limited	One of the Controlling Shareholders
Echo Limited	One of the Controlling Shareholders
Daiki Limited	One of the Controlling Shareholders
Hokuyo Kanko Limited	One of the Controlling Shareholders
Kawashima Co., Ltd.	One of the Controlling Shareholders
Niraku Investment Inc.	Controlled by certain parties among the Controlling Shareholders
Niraku USA Inc.	Controlled by certain parties among the Controlling Shareholders

Note: Mr. Tateo Taniguchi deceased on 17 April 2014. Mr. Mitsuhiro Tei, Mr. Motohiro Tei, Ms. Eijun Tei and Ms. Rika Tei became successors of his shareholding since then.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

Other than those transactions and balances disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties during the years ended 31 March 2015 and 2014:

(a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the years ended 31 March 2015 and 2014 and all of them are non-continuing transactions:

	2015	2014
Discontinued transactions:	**¥ million**	¥ million
Rental expenses		
Hisanori Taniguchi	**8**	18
Tatsuo Taniguchi	**8**	18
Masataka Taniguchi	**11**	24
	27	60

The rental expenses were related to the operating lease expense of a pachinko hall owned by the Controlling Shareholders. During the six months ended 30 September 2014, the Group acquired the related property from the Controlling Shareholders as part of the Reorganisation.

All the above transactions with related parties were conducted in the ordinary course of the business based on terms mutually agreed between the relevant parties.

(b) Key management compensation

Key management includes directors (executive, non-executive and external directors) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2015	2014
	¥ million	¥ million
Directors' fees	**173**	135
Basic salaries, allowances and other benefits in kind	**600**	–
Employee's contribution to pension scheme	**3**	5
	776	140

(c) Guarantees by directors

As at 31 March 2014, the Group's banking facilities were secured by personal guarantees provided by the directors, namely: Mr. Hisanori Taniguchi, and Mr. Tatsuo Taniguchi and shareholders of the Company. These personal guarantees were replaced by corporate guarantees on 20 March 2015.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due from directors

The amounts represented prepaid rental deposits to directors. The amounts were unsecured, interest free and refundable upon the termination of lease agreements. As at 31 March 2014, there was no impairment for the amounts due from directors, as the amounts are not past due and they have no history of default. As at 31 March 2015, the rental deposits have been fully refunded.

	2015	2014
	¥ million	¥ million
Non-current portion		
Hisanori Taniguchi	–	91
Tatsuo Taniguchi	–	91
Masataka Taniguchi	–	122
	–	304
Current portion		
Hisanori Taniguchi	–	4
Tatsuo Taniguchi	–	4
Masataka Taniguchi	–	4
	–	12

35 EVENTS AFTER THE BALANCE SHEET DATE

On 8 April 2015, the Company's shares were listed on the Main Board of the Stock Exchange.

niraku