



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

2015/2016

INTERIM REPORT 中期報告

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Corporate Profile

株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC.* (“NIRAKU” or the “Company”, Hong Kong stock code: 1245), a leading pachinko hall operator in Fukushima Prefecture in Japan, was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 April 2015. NIRAKU has over 60 years of pachinko hall operation experience, developed from a “one hall” operator in 1950 to a 55-hall operator at present, stretching from Tokyo Metropolitan Area to Northeast Honshu. NIRAKU upholds the corporate slogan of “Happy Time Creation” in delivering enjoyable experience to the customers. Pachinko network expansion especially in suburban area continues to be the Group’s growth strategy.

* for identification purpose only

Corporate Information

Board of Directors	
Executive Director	Mr. Hisanori TANIGUCHI (<i>Chairman</i>) (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 (<i>Committee Chairman</i>) Mr. Hiroaki MORITA Mr. Norio NAKAYAMA
Remuneration Committee	Mr. Norio NAKAYAMA (<i>Committee Chairman</i>) Mr. Hiroaki MORITA Mr. Hisanori TANIGUCHI
Nomination Committee	Mr. Hiroaki MORITA (<i>Committee Chairman</i>) Mr. Masaharu TOGO Mr. Hisanori TANIGUCHI
Principal Bankers	Mizuho Bank Sumitomo Mitsui Bank Corporation The Toho Bank, Ltd.
Auditor	PricewaterhouseCoopers
Compliance Adviser	Shenwan Hongyuan 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
Investor Relations inquiry	e-mail: niraku@sprg.com.hk

Financial Highlights

	For the six months ended 30 September			
	2015		2014	
	¥ million	HK\$ million	¥ million	HK\$ million
Gross pay-ins				
— Suburban halls	75,418	4,881	84,175	5,970
— Urban halls	4,800	311	6,814	483
Gross pay-outs				
— Suburban halls	61,062	3,952	70,207	4,979
— Urban halls	3,843	249	5,591	397
Revenue from pachinko and pachislot business				
— Suburban halls	14,356	929	13,968	991
— Urban halls	957	62	1,223	86
Other revenue	400	26	381	27
Revenue	15,713	1,017	15,572	1,104
Hall operating expenses	(13,261)	(858)	(11,644)	(826)
Administrative and other operating expenses	(2,354)	(152)	(2,808)	(199)
Profit before income tax	73	5	1,627	115
Profit attributable to the shareholders of the Company	42	3	937	66
Earnings per share (expressed in Japanese Yen or Hong Kong dollar)	0.04	0.003	1.05	0.07

	For the six months ended 30 September	
	2015	2014
Revenue margin		
— Suburban	19.0%	16.6%
— Urban	19.9%	17.9%
Net profit margin	0.3%	6.0%

	As at 30 September 2015		As at 31 March 2015	
	¥ million	HK\$ million	¥ million	HK\$ million
Current assets	15,088	977	14,734	952
Current liabilities	9,067	587	11,120	719
Net current assets	6,021	390	3,614	234
Total assets	51,741	3,349	50,977	3,295
Total assets less current liabilities	42,674	2,762	39,857	2,576

Financial Highlights

	For the six months ended 30 September	
	2015	2014
Number of halls		
— Suburban	48	44
— Urban	7	9
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Total	55	53

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this Interim Report, certain amounts denominated in Japanese Yen (“¥”) are translated into Hong Kong dollar (“HK\$”) at the rates (as the case may be) described below:

1. ¥15.45 to HK\$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015);
2. ¥14.10 to HK\$1.00, the exchange rate prevailing on 30 September 2014 (i.e. the last business day in September 2014); or
3. ¥15.47 to HK\$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

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

Management Discussion and Analysis

FINANCIAL REVIEW

Gross pay-ins

Both suburban and urban halls recorded a decline in gross pay-ins over the same period last year. Despite the net increase in 2 halls as compared with previous period, gross pay-ins decreased by ¥10,771 million, or 11.8%, from ¥90,989 million for the six months ended 30 September 2014 to ¥80,218 million for the six months ended 30 September 2015. It was mainly due to decrease in player traffic which led to decrease in utilisation of pachinko and pachislot machines.

Gross pay-outs

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, noted a decrease in both suburban and urban halls by ¥10,893 million, or 14.4%, from ¥75,798 million for the six months ended 30 September 2014 to ¥64,905 million for the six months ended 30 September 2015 generally followed the trend of their respective gross pay-ins, together with decrease in payout ratio with the attempt to increase revenue margin.

Revenue and revenue margin from pachinko and pachislot business

Revenue from pachinko and pachislot business recorded a slight increase by ¥122 million, or 0.8%, from ¥15,191 million for the six months ended 30 September 2014 to ¥15,313 million for the six months ended 30 September 2015. The increase was resulted from the net increase of 2 pachinko and pachislot halls in current period which generated additional revenue of ¥521 million, offset with the decrease in revenue of existing halls by ¥399 million mainly due to decrease in gross pay-ins as a result of reduction in hall traffic.

The revenue margin increased by 2.4% from 16.6% for the six months ended 30 September 2014 to 19.0% for the same period in current year. Such increase was mainly attributable to the decrease in pay-out ratio which helped to improve the revenue from pachinko and pachislot hall operations to a 0.8% increase as compared to the six months ended 30 September 2014. On the other hand, the gross pay-ins decreased by 11.8% for the six months ended 30 September 2015.

Other revenue

Other revenue represents incomes from vending machines, hotel and restaurant operations.

Vending machine income dropped from ¥301 million for the six months ended 30 September 2014 to ¥295 million for the same period in 2015 resulted from fall in hall traffic, as a portion of the vending machine income was from the sharing of gross revenue of such vending machines.

Income from hotel operations grew steadily from ¥80 million for the six months ended 30 September 2014 to ¥85 million for the same period in 2015 as a result of increase in average occupancy rate from 82.2% for the six months ended 30 September 2014 to 84.7% for the same period in 2015.

The first restaurant under the brand 'LIZARRAN' was opened in October 2014. Revenue derived from this restaurant amounted to ¥20 million for the six months ended 30 September 2015.

Management Discussion and Analysis

Hall operating expenses

Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and rental expenses, amounting to ¥5,368 million, ¥2,607 million and ¥1,399 million, respectively, for the six months ended 30 September 2015 (30 September 2014: ¥4,482 million, ¥2,417 million and ¥1,323 million, respectively).

Hall operating expenses increased by ¥1,617 million, or 13.9%, from ¥11,644 million for the six months ended 30 September 2014 to ¥13,261 million for the same period in 2015, mainly due to the increase in machine purchases for 2 new halls and machine replacements for existing halls to increase hall traffic as the management noticed a trend of decreasing customer traffic from April 2015 onwards.

Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥454 million, or 16.2%, from ¥2,808 million for the six months ended 30 September 2014 to ¥2,354 million for the same period in 2015, primarily due to the decrease in staff cost of ¥552 million, netted with the expenses incurred in the initial public offering of ¥84 million.

Profit before income tax, profit attributable to shareholders of the Company, basic earnings per share and interim dividend

Profit before income tax for the period decreased by 95.5%, from ¥1,627 million for the six months ended 30 September 2014 to ¥73 million for the same period in 2015, with net profit margin decreased from 6.0% for the six months ended 30 September 2014 to 0.3% for the same period in 2015.

Profit attributable to shareholders of the Company decreased from ¥937 million for the six months ended 30 September 2014 to ¥42 million for the same period in 2015, a 95.5% drop over the same period last year.

Basic earnings per share was ¥0.04 (30 September 2014: ¥1.05). The Board has resolved not to declare an interim dividend for the six months ended 30 September 2015 (30 September 2014: nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2015, the Group has recorded an increase of revenue of ¥141 million as compared to the same period in prior year. Among which, ¥122 million was derived from pachinko and pachislot business. Nevertheless, the Group witnessed a significant drop in customer traffic in the pachinko halls, represented by the decrease in gross pay-ins of the Group by 11.8%, from ¥90,989 million to ¥80,218 million, despite the net increase of 2 halls compared to the same period last year. The Group believes that the drop in customer traffic in the Group's halls is mainly due to (i) the gradual contraction in market size of the pachinko entertainment market; and (ii) the revenue margin level of the Group (which is mainly a combination of the pay-out ratios offered and G-prize markup imposed) may drive some of the gaming-oriented customers away from the halls. The management considered that the current financial year will be a challenging year for the Group as the market size of the pachinko industry in 2015 is estimated to shrink by 3.2% against 2014 and the trend of contraction is expected to continue in 2016, according to the research issued by the Entertainment Business Institute released in November 2015.

Management Discussion and Analysis

To tackle the market trend of the pachinko industry, the Group will continue focusing on increasing its market share in Tohoku area, where the Group has strategic advantage as being the largest pachinko operator. In late April 2015, the Group opened 2 new halls, one in Ibaraki prefecture and the other in Gunma prefecture. Each of them was equipped with over 600 machines. During the six months ended 30 September 2015, these new halls generated ¥2,906 million of gross pay-ins to the Group. In the next financial year, the Group plans to open a mega hall in Tohoku area with over 1,000 machines, which will be the largest hall in the Group.

Further, in order to boost customer traffic, the Group has placed strong emphasis on machine replacement so as to provide a wider variety of machines displayed with popular animation, drama characters and various celebrities to attract customers who value the entertainment element of the pachinko game. The Company has decided to speed up the replacement of pachinko and pachislot machines that were originally scheduled to take place in the second half of the year. During the six months ended 30 September 2015, the Group has incurred an additional expense of ¥437 million in machine replacement as compared to the same period in previous year. As a result of this replacement strategy, the Group has seen a progressive rise in machine utilisation on a month-on-month basis during the six months ended 30 September 2015.

The Group endeavors to increase customer visits and maximize its revenue, and provide higher returns to investors. Going forward, the Group will continue expanding its pachinko hall network, providing wide range of machines with different displays to customers, monitoring the pay-out ratio of each store based on careful study of the market situation, increasing the low-play cost machines watchfully according to the changing market environment of each store. Nevertheless, the Group is always open to new business opportunities, including hospitality and entertainment industry.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, including cash flow from operations and bank borrowings. The Group's daily operation was mainly financed by operating cash flows, and relied on short- and long-term borrowings for financing working capital, future expansion plans and unexpected needs. The Group's cash surpluses are placed in short-term and long-term fixed deposits to maintain liquidity. The Group has not experienced any difficulties in repaying its borrowings.

The Group's principal business activities are carried out in Japan, with income, expenditure, assets and liabilities mainly denominated in Japanese Yen, as such, the Group does not have any material foreign exchange exposure.

Management Discussion and Analysis

The table below sets forth the information regarding the cash and cash equivalents, bank deposits, bank borrowings, obligations under finance leases, working capital, total equity and gearing ratio of the Group as at 30 September 2015 and 31 March 2015, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2015 and 2014, respectively:

	As at 30 September 2015	As at 31 March 2015
	¥ million	¥ million
Cash and cash equivalents	10,748	9,480
Bank deposits	2,172	2,411
	12,920	11,891
Bank loans	7,232	8,036
Syndicated loans	5,526	6,578
Bonds	575	634
Obligations under finance leases	6,440	5,867
	19,773	21,115
Working capital	6,021	3,614
Total equity	26,938	22,856
Gearing ratio	73.4%	92.4%
	For the six months ended 30 September	
	2015	2014
	¥ million	¥ million
Operating cash flows before movements in working capital	1,582	2,905

Net current assets of the Group totalled ¥6,021 million as at 30 September 2015 (31 March 2015: ¥3,614 million), and current ratio was 1.66 as at 30 September 2015 (31 March 2015: 1.33). As at 30 September 2015, there were cash and cash equivalents of ¥10,748 million (31 March 2015: ¥9,480 million), in which ¥10,204 million was denominated in Japanese Yen, ¥346 million was denominated in United States dollar and ¥198 million was denominated in Hong Kong dollar. The Group had total borrowings of ¥19,773 million (31 March 2015: ¥21,115 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥5,731 million (31 March 2015: ¥5,816 million).

The Group's bank borrowings, comprising bank loans, syndicated loans and bonds, amounted to ¥13,333 million (31 March 2015: ¥15,248 million). As at 30 September 2015, the average effective interest rates on bank borrowings ranged from 2.0% to 2.5% (31 March 2015: 2.0% to 2.6%) per annum. Approximately 15.9% of bank borrowings as at 30 September 2015 were fixed rate borrowings.

Management Discussion and Analysis

HEDGING OF FLOATING RATE BORROWINGS

The Group entered into eleven floating to fixed interest rate swap contracts with four banks in Japan (i.e. the Group pays fixed interest rates and receive interests at floating rate) during the six months ended 30 September 2015. These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, by entering into a floating to fixed interest rate swap contracts, the finance costs can be locked at a fixed interest rates. For the six months ended 30 September 2015, the gain on fair value for interest rate swaps amounted to ¥7 million.

The Group did not carry out any foreign currency investment and its 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.

GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and obligations under finance leases, divided by total equity, was 73.4% as at 30 September 2015 (31 March 2015: 92.4%). The decrease of 19.0% as compared with that of the year ended 31 March 2015 was mainly due to decrease of total borrowings of ¥1,342 million and increase of total equity of ¥4,082 million.

CAPITAL EXPENDITURE

Capital expenditure mainly comprised of expenditure for (i) the purchase of property, plant and equipment mainly used for construction of buildings, and (ii) the purchase of equipment and tools for the expansion and maintenance of our pachinko and pachislot hall operations. The table below shows a breakdown of the capital expenditure for the indicated periods:

	As at 30 September 2015 ¥ million	As at 31 March 2015 ¥ million
Property, plant and equipment	2,390	3,555
Investment properties	–	20
Others	50	53
	2,440	3,628

Management Discussion and Analysis

CHARGES ON ASSETS

As at 30 September 2015, the carrying values of charged assets were as below:

	¥ million
Property, plant and equipment	8,339
Investment properties	674
Bank deposits	800
Deposits and other receivables	656
Other long term assets	40
	<hr/>
	10,509

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2015 and 31 March 2015.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 September 2015 and 31 March 2015 are set out in Note 22 to the condensed consolidated interim financial information.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this Interim Report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review. Apart from those disclosed in this Interim Report, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this Interim Report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had 1,521 employees. The remuneration policy of the Group (including those for directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees. Details of the key management remuneration of the Company are set forth in Note 23 to the condensed consolidated interim financial information.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

During the six months ended 30 September 2015, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), 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; and code provision E.1.3, which requires that notice for an annual general meeting should be sent to the shareholders of the Company (the “Shareholders”) at least 20 clear business days before the meeting.

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Chairman currently holds both positions. 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 to and in the interests of our Company and our Shareholders as a whole.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting (the “AGM”) should be sent to its shareholders by the issuer at least 20 clear business days before the meeting. The AGM of the Company for the year ended 31 March 2015 was held on 26 June 2015 (“2015 AGM”), while the notice for the 2015 AGM was despatched on 4 June 2015. The above arrangement complied with the articles of incorporation of the Company (the “Articles of Incorporation”) prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) for AGM but the notice period for the 2015 AGM was less than 20 clear business days before the 2015 AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2015 for the financial year ended 31 March 2015). The Companies Act also requires the notice for the AGM to be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise the annual report which accompanied the AGM notice despatched to the 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. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct during the six months ended 30 September 2015.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2015.

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

As at 30 September 2015, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange 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 30 September 2015.

Save as disclosed above, as at 30 September 2015, 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

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

As at 30 September 2015, 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	Total	Approximate % of shareholding
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* (株式会社三井住友銀行)	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%
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%

Corporate Governance and Other Information

	Capacity/Nature of interest	Total	Approximate % of shareholding
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* (有限会社北陽觀光), 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.

Corporate Governance and Other Information

- (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* (株式会社三井住友銀行), which holds SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行). Accordingly, each of Sumitomo Mitsui Banking Corporation* (株式会社三井住友銀行) 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 30 September 2015.

Save as disclosed above, and as at 30 September 2015, 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.

Corporate Governance and Other Information

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this Interim Report, at no time during the six months ended 30 September 2015 was the Company or any 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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

From the date of the Company's Annual Report for the year ended 31 March 2015 to the date of this Interim 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.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the initial public offering in April 2015 amounted to approximately HK\$339 million, of which HK\$154 million was utilised for the six months ended 30 September 2015. The remaining net proceeds of HK\$185 million will be used for the originally planned purposes as set out in the Company's prospectus dated 24 March 2015.

INTERIM DIVIDEND

The Board has resolved not to declared an interim dividend for the six months ended 30 September 2015 (30 September 2014: Nil).

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the Interim Report for the six months ended 30 September 2015 and discussed the financial related matters with the management. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2015 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

* For identification purpose only

Report on Review of Interim Financial Information



TO THE BOARD OF DIRECTORS 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)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 44, which comprises the condensed consolidated statement of financial position 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”) as at 30 September 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Report on Review of Interim Financial Information

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 November 2015

* *For identification purpose only*

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2015

	Note	Six months ended 30 September	
		2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Revenue	6	15,713	15,572
Other income	7	512	801
Other losses, net	7	(200)	(25)
Hall operating expenses	8	(13,261)	(11,644)
Administrative and other operating expenses	8	(2,354)	(2,808)
Operating profit		410	1,896
Finance income		27	88
Finance costs		(364)	(357)
Finance costs, net	9	(337)	(269)
Profit before income tax		73	1,627
Income tax expense		(31)	(690)
Profit for the period attributable to shareholders of the Company		42	937
Earnings per share for profit attributable to shareholders of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	10	0.04	1.05
Other comprehensive loss			
Change in value of financial assets through other comprehensive income		(261)	(39)
Total comprehensive (loss)/income for the period attributable to the shareholders of the Company		(219)	898
The notes on pages 26 to 44 are an integral part of this condensed consolidated interim financial information.			
		2015 ¥ million	2014 ¥ million
Dividend	11	909	183

Condensed Consolidated Statement of Financial Position

As at 30 September 2015

		30 September	31 March
		2015	2015
	Note	¥ million	¥ million
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	28,329	27,126
Investment properties	12	674	681
Intangible assets	12	221	189
Prepayments, deposits and other receivables	14	4,258	4,772
Financial assets at fair value through profit or loss		100	201
Financial assets at fair value through other comprehensive income		989	1,378
Deferred income tax assets		1,927	1,771
Long-term bank deposits		155	125
		36,653	36,243
Current assets			
Inventories		34	719
Trade receivables	13	64	52
Prepayments, deposits and other receivables	14	1,824	1,602
Current income tax recoverable		201	495
Financial assets at fair value through profit or loss		200	100
Pledged bank deposits and bank deposits with maturity over 3 months		2,017	2,286
Cash and cash equivalents		10,748	9,480
		15,088	14,734
Total assets		51,741	50,977

The notes on pages 26 to 44 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position (CONTINUED)

As at 30 September 2015

	Note	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	15	3,000	10
Reserves	16		
— Proposed final dividend	11	—	909
— Others		23,938	21,937
Total equity		26,938	22,856
LIABILITIES			
Non-current liabilities			
Borrowings	19	9,061	11,318
Obligations under finance leases	20	4,981	3,981
Provisions and other payables	18	1,674	1,676
Derivative financial instruments		20	26
		15,736	17,001
Current liabilities			
Trade payables	17	134	106
Borrowings	19	4,272	3,930
Obligations under finance leases	20	1,459	1,886
Accruals, provisions and other payables	18	3,171	4,209
Derivative financial instruments		13	15
Current income tax liabilities		18	974
		9,067	11,120
Total liabilities		24,803	28,121
Total equity and liabilities		51,741	50,977
Net current assets		6,021	3,614
Total assets less current liabilities		42,674	39,857

The notes on pages 26 to 44 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Attributable to shareholders of the Company						
	Share capital ¥ million	Capital surplus (Note 16(a)) ¥ million	Capital reserve (Note 16(b)) ¥ million	Legal reserve (Note 16(c)) ¥ million	Investment revaluation reserve (Note 16(d)) ¥ million	Retained earnings ¥ million	Total ¥ million
Balance at 1 April 2014	10	12,844	(15,999)	107	566	24,272	21,800
Comprehensive income							
Profit for the period	–	–	–	–	–	937	937
Other comprehensive income							
Financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(39)	–	(39)
Total comprehensive (loss)/income for the period	–	–	–	–	(39)	937	898
Dividend	–	–	–	–	–	(183)	(183)
Purchase of treasury shares (Note 16(e))	–	–	(29)	–	–	(497)	(526)
Reduction in capital surplus upon distribution in specie (Note 16(a))	–	(1,110)	–	–	–	–	(1,110)
Total transaction with shareholders	–	(1,110)	(29)	–	–	(680)	(1,819)
Balances at 30 September 2014 (Audited)	10	11,734	(16,028)	107	527	24,529	20,879
Balance at 1 April 2015	10	11,734	(16,028)	107	411	26,622	22,856
Comprehensive income							
Profit for the period	–	–	–	–	–	42	42
Other comprehensive (loss)/income							
Financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(297)	36	(261)
Total comprehensive (loss)/income for the period	–	–	–	–	(297)	78	(219)
Issue of shares (Note 15(iii))	2,990	2,497	–	–	–	–	5,487
Transaction costs attributable to issuance of shares	–	(277)	–	–	–	–	(277)
Dividend	–	–	–	–	–	(909)	(909)
Total transactions with shareholders	2,990	2,220	–	–	–	(909)	4,301
Balance at 30 September 2015 (Unaudited)	3,000	13,954	(16,028)	107	114	25,791	26,938

The notes on pages 26 to 44 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

	Note	Six months ended 30 September	
		2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Cash flows from operating activities			
Cash generated from operations		1,814	4,527
Interest paid		(314)	(331)
Income tax paid		(683)	(1,032)
Net cash generated from operating activities		817	3,164
Cash flows from investing activities			
Purchase of financial assets at fair value		–	(100)
Purchase of property, plant and equipment		(852)	(1,014)
Purchase of intangible assets		(50)	(20)
Proceeds from disposal of property, plant and equipment		–	195
Proceeds from disposal of financial assets at fair value		–	139
Proceeds from bank deposits with maturity over 3 months		–	137
Placement of bank deposits with maturity over 3 months		(31)	(69)
Placement of long-term bank deposits		(30)	(36)
Release of restricted bank deposits		300	–
Interest received		1	–
Dividend received		34	34
Net cash used in investing activities		(628)	(734)
Cash flows from financing activities			
Purchase of shares	16(e)	–	(526)
Proceeds from issue of new shares	15(iii)	5,487	–
Transaction costs directly attributable to issue of new shares		(277)	–
Distribution to the Controlling Shareholders	16(a)	–	(988)
Repayment of obligations under finance leases		(1,257)	(776)
Proceeds from bank borrowings		1,760	4,564
Repayment of bank borrowings		(3,725)	(2,928)
Dividends paid		(909)	(183)
Net cash generated from/(used in) financing activities		1,079	(837)
Net increase in cash and cash equivalents		1,268	1,593
Cash and cash equivalents at beginning of the period		9,480	8,409
Cash and cash equivalents at end of the period		10,748	10,002

The notes on pages 26 to 44 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows (CONTINUED)

For the six months ended 30 September 2015

Non-cash transactions:

- (a) For the six months ended 30 September 2015, certain property, plant and equipment and pachinko and pachislot machines amounting to ¥1,934 million (six months ended 30 September 2014: ¥71 million) and ¥Nil (six months ended 30 September 2014: ¥610 million), respectively, were purchased under finance leases.
- (b) For the six months ended 30 September 2015, certain obligations under finance leases amounting to ¥103 million (For the six months ended 30 September 2014: ¥425 million) were settled through reduction of rental prepayments.

The notes on pages 26 to 44 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

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 (together, the “Group”) are principally engaged in pachinko and pachislot hall operations and hotel operations (the “Listing Business”) in Japan. During the six months ended 30 September 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 condensed consolidated interim financial information 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 had 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 condensed consolidated interim financial information 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.

Notes to the Condensed Consolidated Interim Financial Information

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2015 have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements.

The following new standards and amendments have been issued and effective for annual periods beginning on 1 April 2015 with no impact on the Group’s results of operations and financial positions:

- HKAS 19 (2011) (Amendment), ‘Defined benefit plans: employee contributions’
- IFRSs (Amendment), ‘Annual Improvements to IFRSs 2010–2012 Cycle’
- IFRSs (Amendment), ‘Annual Improvements to IFRSs 2011–2013 Cycle’

There are no other standards or amendments that are effective for the first time for the six months ended 30 September 2015 that could be expected to have a material impact on this Group.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2015.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 March 2015.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash flows for financial liabilities.

Notes to the Condensed Consolidated Interim Financial Information

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 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).

	Level 1 ¥ million	Level 2 ¥ million	Total ¥ million
As at 30 September 2015 (Unaudited)			
Assets			
Financial assets at fair value through profit or loss			
— Debt securities	—	200	200
— Unlisted securities	—	100	100
Financial assets at fair value through other comprehensive income			
— Listed securities	849	—	849
— Unlisted securities	—	140	140
	849	440	1,289
Liabilities			
Derivative financial liabilities			
— Interest rate swaps	—	33	33
As at 31 March 2015 (Audited)			
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

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 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 of 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 30 September 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 six months ended 30 September 2015 and the year ended 31 March 2015.

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 September	
	2015	2014
	¥ million	¥ million
	(Unaudited)	(Audited)
Revenue		
Gross pay-ins	80,218	90,989
Less: gross pay-outs	(64,905)	(75,798)
Revenue from pachinko and pachislot hall business	15,313	15,191
Vending machine income	295	301
Revenue from hotel operation	85	80
Revenue from restaurant operation	20	—
	15,713	15,572

Notes to the Condensed Consolidated Interim Financial Information

6 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 income tax before unallocated corporate expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this condensed consolidated interim financial information.

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 long-term bank deposits and cash and cash equivalents. They exclude deferred income tax assets 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 six months ended 30 September 2015 and 2014 are as follows:

	Six months ended 30 September 2015		
	Pachinko and pachislot hall operations ¥ million (Unaudited)	Others ¥ million (Unaudited)	Total ¥ million (Unaudited)
Segment revenue from external customers	15,608	105	15,713
Segment results	651	(26)	625
Corporate expenses			(552)
Profit before income tax			73
Income tax expense			(31)
Profit for the period			42
Other segment items			
Depreciation and amortisation expenses	(1,174)	(13)	(1,187)
Finance income	27	–	27
Finance costs	(364)	–	(364)
Capital expenditures	2,438	2	2,440

Notes to the Condensed Consolidated Interim Financial Information

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Six months ended 30 September 2014		
	Pachinko and pachislot hall operations ¥ million (Audited)	Others ¥ million (Audited)	Total ¥ million (Audited)
Segment revenue from external customers	15,492	80	15,572
Segment results	1,950	(4)	1,946
Corporate expenses			(319)
Profit before income tax			1,627
Income tax expense			(690)
Profit for the period			937
Other segment items			
Depreciation and amortisation expenses	(1,006)	(12)	(1,018)
Finance income	88	–	88
Finance costs	(357)	–	(357)
Capital expenditures	1,169	70	1,239

The segment assets as at 30 September 2015 and 31 March 2015 are as follows:

	Pachinko and pachislot hall operations ¥ million	Others ¥ million	Total ¥ million
As at 30 September 2015			
Segment assets (Unaudited)	43,295	600	43,895
Unallocated assets			5,919
Deferred income tax assets			1,927
Total assets			51,741
As at 31 March 2015			
Segment assets (Audited)	45,919	664	46,583
Unallocated assets			2,623
Deferred income tax assets			1,771
Total assets			50,977

Notes to the Condensed Consolidated Interim Financial Information

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 30 September 2015 and 2014.

The Group is domiciled in Japan and all non-current assets of the Group as at 30 September 2015 and 31 March 2015 are located in Japan.

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

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Other income		
Rental income	75	74
Income from expired IC and membership cards	17	18
Dividend income	34	34
Compensation and subsidies (Note)	295	598
Income from scrap sales of used pachinko and pachislot machines	79	68
Others	12	9
	512	801
Other gains/(losses), net		
(Loss)/gain on fair value for financial assets at fair value through profit or loss	(1)	4
Gain on fair value for interest rate swaps	7	10
Loss on disposal of property, plant and equipment	(26)	(39)
Net exchange loss	(180)	—
	(200)	(25)

Note: For the six months ended 30 September 2015, compensation was mainly received from the government for closure of a hall due to city planning. For the six months ended 30 September 2014, 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 Condensed Consolidated Interim Financial Information

8 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Employee benefits expenses		
— Hall operations	2,607	2,417
— Administrative and others	777	1,331
Operating lease rental expense in respect of land and buildings	1,439	1,399
Depreciation of property, plant and equipment	1,162	996
Depreciation of investment properties	7	7
Amortisation of intangible assets	18	15
Pachinko and pachislot machines expenses (Note)	5,368	4,482

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

9 FINANCE COSTS, NET

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Finance income		
Bank interest income	1	—
Other interest income	26	88
	27	88
Finance costs		
Bank borrowings	(177)	(157)
Bond interest expense	(1)	(1)
Obligations under finance leases	(136)	(173)
Provision for unwinding discount	(50)	(26)
	(364)	(357)
Finance costs, net	(337)	(269)

Notes to the Condensed Consolidated Interim Financial Information

10 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 six months ended 30 September 2015 and 2014.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 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 15(i)).

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Audited)
Profit attributable to owners of the Company (¥ million)	42	937
Weighted average number of ordinary shares in issue (thousands)	895,850	3,895
Effect of sub-division of shares	–	891,955
Weighted average number of new shares in issue (thousands)	288,525	–
Weighted average number of shares for the purpose of calculating basic earnings per share (thousands)	1,184,375	895,850
Basic and diluted earnings per share (Japanese Yen)	0.04	1.05

Diluted earnings per share is the same as basic earnings per share as there was no potential dilutive shares during the six months ended 30 September 2015 and 2014.

11 DIVIDENDS

During the six months ended 30 September 2015, the Company paid dividend of ¥909 million (¥0.76 per ordinary share) to their then shareholders in respect of the year ended 31 March 2015.

The board of directors of the Company has resolved not to declare an interim dividend for the six months ended 30 September 2015 (30 September 2014: nil).

12 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

During the six months ended 30 September 2015, the Group incurred expenditures of approximately ¥2,390 million (six months ended 30 September 2014: ¥1,219 million), ¥Nil (six months ended 30 September 2014: ¥Nil) and ¥50 million (six months ended 30 September 2014: ¥20 million) for property, plant and equipment, investment properties and intangible assets, respectively.

During the six months ended 30 September 2015, the net book amounts of disposed property, plant and equipment, investment properties and intangible assets amounted to approximately ¥24 million (six months ended 30 September 2014: ¥234 million), ¥Nil (six months ended 30 September 2014: ¥Nil) and ¥Nil (six months ended 30 September 2014: ¥Nil), respectively.

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE RECEIVABLES

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Trade receivables	69	57
Less: provision for impairment of trade receivables	(5)	(5)
	64	52

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 condensed consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The ageing analysis of the trade receivables, based on invoice date, is as follows:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Less than 30 days	61	49
Over 90 days	8	8
	69	57

As at 30 September 2015, trade receivables of ¥3 million (31 March 2015: ¥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:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Overdue but not impaired		
Over 90 days	3	3

Notes to the Condensed Consolidated Interim Financial Information

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Non-current portion		
Rental and other deposits	2,978	3,408
Rental prepayments	1,160	1,233
Loans to other employees	1	1
Other prepayments and receivables	119	130
	4,258	4,772
Current portion		
Prepayment for prizes in operation for pachinko and pachislot halls	660	700
Rental prepayments and deposits	905	450
Loans to other employees	1	1
Prepayments for professional fee incurred in connection with the Company's listing	–	149
Other prepayments and receivables	258	302
	1,824	1,602

The carrying amounts of prepayment, deposits and other receivables approximate their fair values as at 30 September 2015 and 31 March 2015; and are denominated in Japanese Yen. Certain deposits and other receivables have been pledged to secure general facilities granted to the Company.

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE CAPITAL

	Note	Ordinary No. of shares	Veto No. of shares	Total No. of shares
Authorised				
At 1 April 2014 and 30 September 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
<hr/>				
At 1 April 2015 and 30 September 2015		2,000,000,000	–	2,000,000,000
Issued and paid up				
At 1 April 2014 and 30 September 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
<hr/>				
At 1 April 2015		895,850,460	–	895,850,460
Issue of new shares	(iii)	300,000,000	–	300,000,000
<hr/>				
At 30 September 2015		1,195,850,460	–	1,195,850,460
<hr/>				
Total amount (in Japanese Yen)				
At 1 April 2014 and 30 September 2014		9,996,700	3,300	10,000,000
<hr/>				
At 1 April 2015		10,000,000	–	10,000,000
<hr/>				
At 30 September 2015	(iii)	3,000,000,000	–	3,000,000,000

- (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.
- (iii) In connection with the Company's initial public offering, 300,000,000 shares were issued at a price of HK\$1.18 per share for a total cash consideration, before listing expenses, of HK\$354 million (equivalent to approximately ¥5,487 million). The directors resolved that ¥2,990 million and ¥2,497 million were allocated to share capital and capital surplus respectively. Dealings of these shares on the Stock Exchange commenced on 8 April 2015.

Notes to the Condensed Consolidated Interim Financial Information

16 RESERVES

(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 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.

Notes to the Condensed Consolidated Interim Financial Information

17 TRADE PAYABLES

The ageing analysis of the trade payables, based on invoice dates, were as follows:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Less than 30 days	56	31
31–90 days	78	75
	134	106

18 ACCRUALS, PROVISIONS AND OTHER PAYABLES

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Non-current portion		
Provision for reinstatement costs	1,525	1,529
Provision for long service payment	30	25
Vending machine rental deposit and rental receipt in advance	87	86
Other payables	32	36
	1,674	1,676
Current portion		
Accrued purchases for pachinko and pachislot machines	437	487
Accrued purchases for property, plant and equipment	176	566
Accrued staff costs	829	766
Vending machine rental receipt in advance	241	244
Unutilised balls and tokens	628	544
Other tax payable	290	767
Office expenses and consumables	465	464
Utilities payable	55	53
Other payables	50	318
	3,171	4,209

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Non-current portion		
Bank loans	4,306	5,214
Syndicated loans	4,540	5,593
Bonds	215	511
	9,061	11,318
Current portion		
Bank loans	2,926	2,822
Syndicated loans	986	985
Bonds	360	123
	4,272	3,930
Total borrowings	13,333	15,248

As at 30 September 2014, certain of the Group's borrowings and obligations under finance leases (Note 20) were guaranteed by the directors, namely Mr. Hisanori Taniguchi, Mr. Masataka Taniguchi and Mr. Tatsuo Taniguchi. These personal guarantees were replaced by corporate guarantees on 20 March 2015.

Notes to the Condensed Consolidated Interim Financial Information

20 OBLIGATIONS UNDER FINANCE LEASES

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	1,714	2,114
Later than 1 year and no later than 2 years	1,303	1,378
Later than 2 years and no later than 5 years	2,145	1,967
Later than 5 years	2,719	1,317
	7,881	6,776
Future finance charges on finance leases	(1,441)	(909)
Present values of finance lease liabilities	6,440	5,867

The present values of finance lease liabilities are as follow:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
No later than 1 year	1,459	1,886
Later than 1 year and no later than 2 years	1,099	1,212
Later than 2 years and no later than 5 years	1,731	1,675
Later than 5 years	2,151	1,094
Total obligations under finance leases	6,440	5,867
Less: Amount included in current liabilities	(1,459)	(1,886)
Non-current obligations under finance leases	4,981	3,981

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. No arrangements have been entered into for contingent rental payments during the reporting periods.

21 CONTINGENCIES

As at 30 September 2015, the Group did not have any significant contingent liabilities (March 2015: Same).

Notes to the Condensed Consolidated Interim Financial Information

22 COMMITMENTS

(a) Capital commitments

The outstanding commitments not provided for in the condensed consolidated financial information are as follows:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Contracted but not provided for purchase of property, plant and equipment	339	41

(b) Operating lease commitments

(i) As a lessee

As at 30 September 2015, 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:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
No later than one year	966	917
Later than one year and no later than five years	3,749	3,524
Over five years	6,454	5,244
	11,169	9,685

(ii) As a lessor

The Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
No later than one year	38	42

Notes to the Condensed Consolidated Interim Financial Information

23 RELATED PARTY TRANSACTIONS

For the purposes of this condensed consolidated interim financial information, 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:

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	One of the Controlling Shareholders
Tateo Taniguchi (Note)	One of the Controlling Shareholders
Yoshihiro Tei	One of the Controlling Shareholders
Mitsuhiro Tei (Note)	One of the Controlling Shareholders
Motohiro Tei (Note)	One of the Controlling Shareholders
Eijun Tei (Note)	One of the Controlling Shareholders
Rika Tei (Note)	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.

Notes to the Condensed Consolidated Interim Financial Information

23 RELATED PARTY TRANSACTIONS (CONTINUED)

Other than those transactions and balances disclosed elsewhere in the condensed consolidated interim financial information, the following transactions were carried out with related parties:

(a) Transactions with related parties

The following transactions were undertaken by the Group with related parties and all of them are discontinued transactions:

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Discontinued transactions:		
Rental expenses		
Hisanori Taniguchi	–	8
Tatsuo Taniguchi	–	8
Masataka Taniguchi	–	11
	–	27

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:

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Directors' fees	100	92
Basic salaries, allowances and other benefits in kind	–	600
Employee's contribution to pension scheme	2	2
	102	694

(c) Guarantees by directors

As at 30 September 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.

