The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

24 March 2015

The Board of Directors
株式会社ニラク▪ジー▪シー▪ホールディングス NIRAKU GC HOLDINGS, INC*
Shenyin Wanguo Capital (H.K.) Limited

Dear Sirs,

We report on the financial information 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"), which comprises the consolidated statements of financial position as at 31 March 2012, 2013 and 2014 and 30 September 2014, the statements of financial position of the Company as at 31 March 2013 and 2014 and 30 September 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2012, 2013 and 2014 and for the six months ended 30 September 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 24 March 2015 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Japan under the Companies Act (会社法) of Japan (Act No.86 of 2005), as amended, supplemented or otherwise modified from time to time (the "Japan Companies Act"), with limited liability on 10 January 2013. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 30 September 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

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As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies.

The directors of the Company have prepared the consolidated financial statements of the Group for the year ended 31 March 2014 in accordance with Japanese General Acceptable Accounting Principles (the "Japanese GAAP") issued by Accounting Standards Board of Japan (the "Japanese GAAP Financial Statements"). The Japanese GAAP Financial Statements for the year ended 31 March 2014 were audited by PricewaterhouseCoopers Aarata.

The audited financial statements of a subsidiary as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in its place of incorporation. The details of the statutory auditors of the company are set out in Note 1.2 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRS. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 March 2013 and 2014 and 30 September 2014 and of the state of affairs of the Group as at 31 March 2012, 2013 and 2014 and 30 September 2014 and of the Group's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus, which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2013, and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and fair presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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" issued by the IAASB. A review of the Stub Period Comparative 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 ISA 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2012, 2013 and 2014 and 30 September 2014, and for each of the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014 (the "Financial Information"):

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		The Group				
		Year ended 31 March			Six months ended 30 September	
	Note	2012	2013	2014	2013	2014
		¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Revenue	5	30,352	32,751	33,847	16,429	15,572
Other income	6	1,115	446	378	182	801
Other losses, net	6	(504)	(20)	(97)	(81)	(25)
Hall operating expenses	7	(20,609)	(21,909)	(22,798)	(11,494)	(11,644)
Administrative and other operating expenses	7	(3,319)	(4,126)	(4,636)	(2,013)	(2,808)
Operating profit		7,035	7,142	6,694	3,023	1,896
Finance income		66	63	58	28	88
Finance costs		(794)	(720)	(744)	(368)	(357)
Finance costs, net	9	(728)	(657)	(686)	(340)	(269)
Profit before income tax		6,307	6,485	6,008	2,683	1,627
Income tax expense	10	(2,978)	(2,720)	(2,310)	(1,060)	(690)
Profit for the year/period attributable to shareholders of the Company		3,329	3,765	3,698	1,623	937
Earnings per share for profit attributable to shareholders of the Company						
- Basic and diluted (expressed in Japanese Yen per share) (Note)	11	855	967	949	417	241

		The Group				
		Year ended 31 March			Six months ended 30 September	
	Note	2012	2013	2014	2013	2014
		¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Other comprehensive income/(loss)						
Item that may be reclassified to profit or loss						
Change in value of financial assets through other comprehensive income		16	124	433	163	(39)
Total comprehensive income for the year/ period attributable to the shareholders of the Company		3,345	3,889	4,131	1,786	898

Note: The earnings per share as presented above has not taken into account the proposed sub-division of issued shares pursuant to the approval from the board of directors on 16 March 2015 because the proposed sub-division of issued shares has not become effective as of the date of this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March			As at 30 September
		2012	2013	2014	2014
		¥ million	¥ million	¥ million	¥ million
ASSETS					
Non-current assets					
Property, plant and equipment	13	22,351	23,735	25,817	25,806
Investment properties	15	683	669	676	669
Intangible assets	16	177	161	167	172
Prepayments, deposits and other receivables	22	4,051	4,310	4,251	4,519
Amounts due from directors and a shareholder	35	318	311	304	—
Amounts due from related companies	35	435	—	—	—
Financial assets at fair value through profit or loss	18	395	546	601	697
Financial assets at fair value through other comprehensive income	18	220	919	1,574	1,476
Deferred income tax assets	30	1,563	1,612	1,462	2,038
Long-term bank deposits	23	142	71	84	119
		30,335	32,334	34,936	35,496
Current assets					
Inventories	20	412	86	21	40
Trade receivables	21	60	64	54	52
Prepayments, deposits and other receivables	22	989	1,035	1,546	1,487
Amounts due from directors and a shareholder	35	10	12	12	—
Financial assets at fair value through profit or loss	18	34	—	100	—
Pledged bank deposits and bank deposits with maturity over 3 months	23	758	1,754	1,706	1,639
Cash and cash equivalents	23	12,585	6,909	8,409	10,002
Tax recoverable		—	—	121	370
		14,848	9,860	11,969	13,590
Total assets		45,183	42,194	46,905	49,086

		As at 31 March			As at 30 September
	Note	2012	2013	2014	2014
		¥ million	¥ million	¥ million	¥ million
EQUITY					
Equity attributable to shareholders of the Company					
Share capital	24	10	10	10	10
Reserves	25	18,638	17,842	21,790	20,869
Total equity		18,648	17,852	21,800	20,879
LIABILITIES					
Non-current liabilities					
Borrowings	28	5,026	7,991	9,270	9,968
Obligations under finance leases	29	4,135	4,158	5,366	4,090
Amount due to a related company	35	45	—	—	—
Provisions and other payables	27	1,280	1,430	1,485	1,501
Derivative financial instruments	19	37	26	33	23
		10,523	13,605	16,154	15,582
Current liabilities					
Trade payables	26	347	382	201	145
Borrowings	28	7,203	3,082	3,109	4,073
Obligations under finance leases	29	2,392	2,394	2,253	2,808
Amount due to a related party	35	100	—	—	—
Amount due to a related company	35	—	—	—	24
Accruals, provisions and other payables	27	3,577	3,584	2,344	4,325
Derivative financial instruments	19	18	18	15	15
Current income tax liabilities		2,375	1,277	1,029	1,235
		16,012	10,737	8,951	12,625
Total liabilities		26,535	24,342	25,105	28,207
Total equity and liabilities		45,183	42,194	46,905	49,086
Net current (liabilities)/assets		(1,164)	(877)	3,018	965
Total assets less current liabilities		29,171	31,457	37,954	36,461

STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at 30 September
	Note	2013	2014	2014
		¥ million	¥ million	¥ million
ASSETS				
Non-current assets				
Investments in subsidiaries	14	16,286	16,286	16,286
Current assets				
Prepayment, deposits and other receivables	22	—	—	9
Cash and cash equivalents	23	62	93	670
Current income tax recoverable		—	121	370
		62	214	1,049
Total assets		16,348	16,500	17,335
EQUITY				
Share capital	24	10	10	10
Reserves	25	12,834	13,352	13,579
Total equity		12,844	13,362	13,589
LIABILITIES				
Non-current liabilities				
Borrowings	28	3,114	2,779	2,608
Other payables	27	8	7	7
		3,122	2,786	2,615
Current liabilities				
Borrowings	28	174	350	351
Amount due to a subsidiary	31	201	—	701
Amount due to a related company	35	—	—	24
Other payables	27	7	1	55
Current income tax liabilities		—	1	—
		382	352	1,131
Total liabilities		3,504	3,138	3,746
Total equity and liabilities		16,348	16,500	17,335
Net current liabilities		(320)	(138)	(82)
Total assets less current liabilities		15,966	16,148	16,204

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						
	Share capital	Capital surplus (Note 25(a))	Capital reserve (Note 25(b))	Legal reserve (Note 25(c))	Investment revaluation reserve (Note 25(d))	Retained earnings	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Balance at 1 April 2011	10	12,844	(15,999)	82	(7)	18,483	15,413
Comprehensive income							
Profit for the year	—	—	—	—	—	3,329	3,329
Other comprehensive income							
Financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	16	—	16
Total comprehensive income for the year	—	—	—	—	16	3,329	3,345
Dividend	—	—	—	10	—	(120)	(110)
Total transactions with shareholders	—	—	—	10	—	(120)	(110)
Balances at 31 March 2012 and 1 April 2012	10	12,844	(15,999)	92	9	21,692	18,648
Comprehensive income							
Profit for the year	—	—	—	—	—	3,765	3,765
Other comprehensive income							
Financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	124	—	124
Total comprehensive income	—	—	—	—	124	3,765	3,889
Dividend	—	—	—	11	—	(121)	(110)
Purchase of treasury shares (Note 25(e))	—	—	—	—	—	(4,575)	(4,575)
Total transactions with shareholders	—	—	—	11	—	(4,696)	(4,685)
Balance at 31 March 2013	10	12,844	(15,999)	103	133	20,761	17,852

	Attributable to shareholders of the Company						
	Share capital	Capital surplus (Note 25(a))	Capital reserve (Note 25(b))	Legal reserve (Note 25(c))	Investment revaluation reserve (Note 25(d))	Retained earnings	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ 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 transactions with shareholders	—	—	—	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 period	—	—	—	—	—	937	937
Other comprehensive loss							
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 25(e))	—	—	(29)	—	—	(497)	(526)
Reduction in capital surplus upon distribution in specie (Note 25(a))	—	(1,110)	—	—	—	—	(1,110)
Total transactions with shareholders	—	(1,110)	(29)	—	—	(680)	(1,819)
Balance at 30 September 2014	10	11,734	(16,028)	107	527	24,529	20,879

	Attributable to shareholders of the Company						
	Share capital	Capital surplus (Note 25(a))	Capital reserve (Note 25(b))	Legal reserve (Note 25(c))	Investment revaluation reserve (Note 25(d))	Retained earnings	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Balance at 1 April 2013	10	12,844	(15,999)	103	133	20,761	17,852
Comprehensive income							
Profit for the period	—	—	—	—	—	1,623	1,623
Other comprehensive income							
Financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	163	—	163
Total comprehensive income for the period					163	1,623	1,786
Dividend	—	—	—	—	—	(183)	(183)
Total transactions with shareholders	—	—	—	—	—	(183)	(183)
Balance at 30 September 2013 (unaudited)	10	12,844	(15,999)	103	296	22,201	19,455

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March			Six months ended 30 September	
		2012	2013	2014	2013	2014
		¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Cash flows from operating activities						
Cash generated from operations	32	13,435	12,268	9,607	3,561	4,527
Interest paid		(707)	(641)	(692)	(344)	(331)
Income tax paid		(1,264)	(3,943)	(2,635)	(1,293)	(1,032)
Net cash generated from operating activities		11,464	7,684	6,280	1,924	3,164
Cash flows from investing activities						
Purchase of financial assets at fair value		—	(646)	(150)	(53)	(100)
Purchase of property, plant and equipment		(225)	(1,042)	(1,326)	(859)	(1,014)
Purchase of investment properties	15	(519)	—	(21)	—	—
Purchase of intangible assets	16	(1)	(15)	(34)	(29)	(20)
Acquisition of a subsidiary	36	—	(820)	—	—	—
Amounts due from related companies		—	435	—	—	—
Amounts due from related parties		25	—	—	—	—
Proceeds from disposal of property, plant and equipment	32	42	69	33	2	195
Proceeds from disposal of financial assets at fair value		5	13	5	13	139
Proceeds from bank deposits with maturity over 3 months		421	192	316	48	137
Placement of bank deposits with maturity over 3 months		(384)	(139)	(220)	(88)	(69)

	Note	Year ended 31 March			Six months ended 30 September	
		2012	2013	2014	2013	2014
		¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Placement of long-term bank deposits		(66)	(78)	(61)	(31)	(36)
Placement of pledged bank deposits.		—	(900)	—	—	—
Interest received		3	—	1	—	—
Dividend received		4	29	67	35	34
Net cash used in investing activities		(695)	(2,902)	(1,390)	(962)	(734)
Cash flows from financing activities						
Purchase of shares	25(e)	—	(4,575)	—	—	(526)
Distribution to the Controlling Shareholders .		—	—	—	—	(988)
Repayment of obligations under finance leases		(4,086)	(4,393)	(4,461)	(2,401)	(776)
Amount due to a related party		100	(100)	—	—	—
Amount due to a related company		—	(45)	—	—	—
Proceeds from bank borrowings.		9,172	11,921	8,897	6,057	4,564
Repayment of bank borrowings.		(8,891)	(13,156)	(7,643)	(3,393)	(2,928)
Dividends paid		(110)	(110)	(183)	(183)	(183)
Net cash (used in)/generated from financing activities.		(3,815)	(10,458)	(3,390)	80	(837)
Net increase/(decrease) in cash and cash equivalents		6,954	(5,676)	1,500	1,042	1,593
Cash and cash equivalents at beginning of the year/period		5,631	12,585	6,909	6,909	8,409
Cash and cash equivalents at end of the year/period		12,585	6,909	8,409	7,951	10,002

II. NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General Information

NIRAKU GC HOLDINGS, INC.* (the "Company") was incorporated in Japan under the Japan Companies Act with limited liability on 10 January 2013. The registered address of the Company 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.

This Financial Information is presented in millions of Japanese Yen ("¥"), unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, 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 the Operating Companies throughout the Relevant Periods.

In preparation for listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the following transactions were carried out:

(i) On 10 August 2012, the board of directors of Niraku Corporation resolved to repurchase 250,000 issued shares from its non-controlling shareholders for cash consideration of approximately ¥600 million (Note 25 (e)).

(ii) On 10 January 2013, the Company was incorporated in Japan. Upon incorporation, one class-A share and one common share were allotted and issued to the Chairman.

(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.

(iii) On 20 February 2013, the board of directors of Niraku Corporation resolved to repurchase 161,000 issued shares from the Densho Limited, Echo Limited, Daiki Limited and Hokuyo Kanko Limited for a total cash consideration of approximately ¥531 million (Note 25 (e)). On 24 May 2012, Nexia Inc. which was controlled by the certain parties among the Controlling Shareholders, resolved to repurchase 300 issued shares from one of its non-controlling shareholders for a cash consideration of approximately ¥12 million (Note 25 (e)).

(iv) On 1 February 2013, the Company purchased 1,040,000 issued shares of Niraku Corporation from Mr. Tatsuo Taniguchi, Mr. Masataka Taniguchi, Mr. Yoshihiro Tei, Mr. Tateo Taniguchi and Mrs. Kyoko Taniguchi for cash consideration of approximately ¥3,432 million (Note 25 (e)). Since then, the Company held 21.1% equity interest in Niraku Corporation.

(v) On 31 March 2013, Niraku Corporation cancelled 411,000 issued shares repurchased with the board of directors' approval on 10 August 2012 and 20 February 2013. On the same date, Nexia Inc. cancelled 300 issued shares repurchased with the board of directors' approval on 24 May 2012.

(vi) On 1 April 2013, the Company allotted and issued 3,895,000 shares to the then shareholders of Niraku Corporation in exchange for 3,895,000 issued shares of Niraku Corporation, representing 78.9% of total issued shares of Niraku Corporation, on a one-to-one basis. Since then, Niraku Corporation became a wholly-owned subsidiary of the Company and the Controlling Shareholders owned 93.2% equity interest in the Company.

(vii) On 29 July 2014, Niraku USA Inc. was incorporated in the state of Nevada, the United States of America. The company was wholly owned by Niraku Corporation upon incorporation.

(viii) On 17 September 2014, Niraku Corporation transferred certain tangible assets totalling ¥1,110 million, which, among others, included the entire issued stock of Niraku USA Inc. to Niraku Investment Inc., a company wholly owned by the Company upon incorporation. On the same date, the Company then 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 hall operations under the Company were excluded from the Group.

(ix) Immediately prior to 9 September 2014, a piece of land and its premises located in Nakano-ku, Tokyo ("Nakano Property") was jointly owned by the Chairman, Mr. Tatsuo Taniguchi and Mr. Masataka Taniguchi (the "Taniguchi Family"). The Group operates one of its pachinko halls on the Nakano Property. Since the Nakano Property is related to the Group's core business of pachinko and pachislot hall operations, the Company had resolved to acquire the Nakano Property through Niraku Corporation in preparation for the Listing. On 9 September 2014, Niraku Corporation acquired the Nakano Property from the Taniguchi Family for cash consideration of approximately ¥382 million.

(x) On 29 September 2014, Nexia Inc. repurchased 2,550 issued shares from Jukki Limited, Densho Limited, Hokuyo Kanko Limited and KAWASHIMA Co., Ltd. for cash consideration of approximately ¥497 million and Nexia Inc. cancelled all of these shares on 30 September 2014. On 29 September 2014, Niraku Corporation purchased 150 issued shares of Nexia Inc. from Mr. Tatsuo Taniguchi for cash consideration of approximately ¥29 million. Upon completion of these transactions, Nexia Inc. became an indirectly wholly-owned subsidiary of the Company through Niraku Corporation.

(xi) Upon the completion of the Reorganisation on 30 September 2014, the Company became the holding company of the subsidiaries now comprising the Group.

Upon the completion of the Reorganisation, 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			Effective interest held as at 30 September
					2012	2013	2014	2014
Directly held								
Niraku Corporation	Japan 27 August 1969	Pachinko and pachislot hall operations	Limited liability company	257 million Japanese Yen	100%	100%	100%	100%
Indirectly held								
Nexia Inc.	Japan 19 June 2009	Property investment	Limited liability company	30 million Japanese Yen	100%	100%	100%	100%
Niraku Merrist Corporation	Japan 24 February 2010	Cleaning service provision	Limited liability company	5 million Japanese Yen	100%	100%	100%	100%
JIN Corporation*	Japan 15 June 2012	Pachinko and pachislot hall operations	Limited liability company	10 million Japanese Yen	0%	100%	0%	0%

* The Group acquired all shares of JIN Corporation, a company operating pachinko and pachislot halls in Japan on 15 June 2012 (Note 36). JIN Corporation was merged into Niraku Corporation on 1 October 2013.

The statutory financial statements of Niraku Corporation for the years ended 31 March 2012, 2013 and 2014 were audited by PricewaterhouseCoopers, Aarata. No audited financial statements were issued for Nexia Inc., Niraku Merrist Corporation and JIN Corporation as their financial statements are not required to be audited under the Japan Companies Act.

1.3 Basis of presentation

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 as described in Note 1.2 above are merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated 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.

For companies acquired from during each of the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, they are included in the Financial Information of the Group from the date of the acquisition.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies now comprising the Group are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has 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 instruments) which are carried at fair values.

The preparation of Financial Information 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

(a) *New and amended standards early adopted by the Group*

The following standard has been early adopted by the Group for the first time for the financial year beginning on or after 1 April 2011:

IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS39.

The above standard is mandatory effective for annual periods beginning on or after 1 January 2018. The Group has decided to adopt IFRS 9 (2014) from 1 April 2011, being its date of transition to IFRS.

(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 1 (Amendment)	Presentation of financial statements	1 January 2016
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions	1 July 2014
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
Annual improvements 2012 to 2013	Improvements to IASs and IFRS	1 July 2014
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

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 3 March 2014 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 Financial Information 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 Financial Information will be affected.

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.

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 Financial Information 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 statements 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 statements 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.

(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.

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 Financial Information 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 director of the Company that makes strategic decisions.

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 Financial Information 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 improvement	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 losses, net" in the profit or loss.

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.

2.8 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 statements of comprehensive income.

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 statements of comprehensive income within 'Other losses - 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 statements 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.

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.

2.12 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 statements 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 statements 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.

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 statements 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 Financial Information. 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 statements 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.

(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 statements 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.

2.20 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 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 in 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 in the accounting period in which they are earned.

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

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 statements 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 statements 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 statements 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 statements 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.

(b) *As lessor*

When the Company leases out assets under operating leases, the assets are included in the consolidated statements 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.

2.24 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 for speculative purposes.

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 other 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 2012, 2013 and 2014, and as at 30 September 2014, 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 ¥3 million, ¥6 million, ¥5 million and ¥6 million respectively 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 no significant interest rate swaps were entered during the Relevant Periods, and accordingly, sensitivity analysis has not been disclosed.

(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 statements 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.

	Year ended 31 March			Six months ended 30 September
	2012	**2013**	**2014**	**2014**
	¥ million	**¥ million**	**¥ million**	**¥ million**
Impact on other components of equity				
Share prices:				
- increase by 5%	7	45	79	73
- decrease by 5%	(7)	(45)	(79)	(73)

(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% 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 2012, 2013, 2014 and as at 30 September 2014, top 5 customers of the Group accounted for approximately 58%, 53%, 56% and 60%, respectively, 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 Financial Information.

(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 and the Company'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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
The Group					
As at 31 March 2012					
Trade payables	347	—	—	—	347
Other payables (excluding accruals)	2,186	4	43	2,655	4,888
Borrowings	7,335	1,842	1,478	1,996	12,651
Obligations under finance leases	2,635	1,206	2,185	1,340	7,366
Amount due to a related party	100	—	—	—	100
Amount due to a related company	—	—	45	—	45
	12,603	3,052	3,751	5,991	25,397

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
As at 31 March 2013					
Trade payables	382	—	—	—	382
Other payables (excluding accruals)	2,096	4	45	2,885	5,030
Borrowings	3,232	1,577	3,109	3,681	11,599
Obligations under finance leases	2,624	1,331	2,142	1,192	7,289
	8,334	2,912	5,296	7,758	24,300
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
As at 30 September 2014					
Trade payables	145	—	—	—	145
Other payables (excluding accruals)	2,718	4	41	2,948	5,711
Borrowings	4,288	2,902	4,466	3,053	14,709
Obligations under finance leases	3,065	1,357	1,835	1,754	8,011
Amount due to a related company	24	—	—	—	24
	10,240	4,263	6,342	7,755	28,600
The Company					
As at 31 March 2013					
Other payables (excluding accruals)	7	8	—	—	15
Borrowings	195	367	1,089	1,749	3,400
Amount due to a subsidiary	201	—	—	—	201
	403	375	1,089	1,749	3,616

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
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
As at 30 September 2014					
Other payables (excluding accruals)	55	7	—	—	62
Borrowings	415	404	1,191	1,287	3,297
Amount due to a subsidiary	701	—	—	—	701
Amount due to a related company	24	—	—	—	24
	1,195	411	1,191	1,287	4,084

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 net debt divided by total capital. Net debt is calculated as total borrowings (include bank borrowings, amounts due to a related party, amounts due to related companies and obligations under finance leases) less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position, plus net debt, where applicable.

The Group's strategy was to maintain optimal gearing ratio which the gearing ratio is not higher than 60% as at each statements of financial position date. The gearing ratios as at 31 March 2012, 2013, 2014 and as at 30 September 2014 were as follows:

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Borrowings (including amounts due to a related party and related companies)	12,374	11,073	12,379	14,065
Obligations under finance leases	6,527	6,552	7,619	6,898
Less: cash and bank balances (Note 23)	(13,485)	(8,734)	(10,199)	(11,760)
Net debt	5,416	8,891	9,799	9,203
Total equity	18,648	17,852	21,800	20,879
Total capital	24,064	26,743	31,599	30,082
Gearing ratio	23%	33%	31%	31%

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).

	Level 1	Level 2	Total
	¥ million	¥ million	¥ million
As at 31 March 2012			
Assets			
Financial assets at fair value through profit or loss			
- Debt securities	—	429	429
Financial assets at fair value through other comprehensive income			
- Listed securities	134	—	134
- Unlisted securities	—	86	86
	134	515	649
Liabilities			
Derivative financial liabilities			
- Interest rate swaps	—	55	55
As at 31 March 2013			
Assets			
Financial assets at fair value through profit or loss			
- Debt securities	—	496	496
- Unlisted securities	—	50	50
Financial assets at fair value through other comprehensive income			
- Listed securities	909	—	909
- Unlisted securities	—	10	10
	909	556	1,465
Liabilities			
Derivative financial liabilities			
- Interest rate swaps	—	44	44
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

	Level 1	Level 2	Total
	¥ million	¥ million	¥ million
Liabilities			
Derivative financial liabilities			
- Interest rate swaps	—	48	48
As at 30 September 2014			
Assets			
Financial assets at fair value through profit or loss			
- Debt securities	—	597	597
- Unlisted securities	—	100	100
Financial assets at fair value through other comprehensive income			
- Listed/unlisted securities	1,474	2	1,476
	1,474	699	2,173
Liabilities			
Derivative financial liabilities			
- Interest rate swaps	—	38	38

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statements 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 listed 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 of 31 March 2012, 2013 and 2014 and 30 September 2014, instruments included in level 2 comprise bonds, trust funds and interest rate swap issued by financial institution in Japan which were classified as financial assets at fair value through profit or loss.

There were no transfers between levels 1 and 2 during the Relevant Periods.

3.4 Offsetting financial assets and financial liabilities

As at 31 March 2012, 2013 and 2014, and as at 30 September 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.

(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 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 in the consolidated 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***

	Year ended 31 March			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	¥ million	**¥ million**	**¥ million**	**¥ million (unaudited)**	**¥ million**
Revenue					
Gross pay-ins	224,968	242,217	236,449	120,674	90,989
Less: gross payouts	(195,340)	(210,298)	(203,455)	(104,682)	(75,798)
Revenue from pachinko and pachislot hall business	29,628	31,919	32,994	15,992	15,191
Vending machine income	724	748	704	362	301
Revenue from hotel operations	—	84	149	75	80
	30,352	32,751	33,847	16,429	15,572

(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 director of the Company. The executive director considers 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 income/(expenses) for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this Financial Information.

The management has identified two reportable segments based on the types of services, namely (i) pachinko and pachislot hall operations; and (ii) others.

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, amounts due from related companies 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 director for the years ended 31 March 2012, 2013 and 2014, and for the six months ended 30 September 2013 and 2014 are as follows:

	Year ended 31 March 2012		
	Pachinko and pachislot hall operations	**Others**	**Total**
	¥ million	**¥ million**	**¥ million**
Segment revenue from external customers	30,352	—	30,352
Segment results	6,445	(138)	6,307
Corporate expenses			—
Profit before income tax			6,307
Income tax expense			(2,978)
Profit for the year			3,329
Other segment items			
Depreciation and amortisation expenses	(2,041)	(13)	(2,054)
Finance income	66	—	66
Finance costs	(794)	—	(794)
Impairment loss on property, plant and equipment	(124)	—	(124)
Capital expenditures	2,584	1	2,585

	Year ended 31 March 2013		
	Pachinko and pachislot hall operations	Others	Total
	¥ million	¥ million	¥ million
Segment revenue from external customers	32,667	84	32,751
Segment results	6,508	(12)	6,496
Corporate expenses			(11)
Profit before income tax			6,485
Income tax expense			(2,720)
Profit for the year			3,765
Other segment items			
Depreciation and amortisation expenses	(2,006)	(19)	(2,025)
Finance income	63	—	63
Finance costs	(720)	—	(720)
Capital expenditures	3,261	211	3,472

	Year ended 31 March 2014		
	Pachinko and pachislot hall operations	Others	Total
	¥ million	¥ million	¥ 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

	Six months ended 30 September 2013		
	Pachinko and pachislot hall operations	Others	Total
	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)
Segment revenue from external customers	16,354	75	16,429
Segment results	2,705	6	2,711
Corporate expenses			(28)
Profit before income tax			2,683
Income tax expense			(1,060)
Profit for the period			1,623
Other segment items			
Depreciation and amortisation expenses	(1,116)	(11)	(1,127)
Finance income	28	—	28
Finance costs	(368)	—	(368)
Capital expenditures	3,706	—	3,706

	Six months ended 30 September 2014		
	Pachinko and pachislot hall operations	Others	Total
	¥ million	¥ million	¥ million
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 31 March 2012, 2013 and 2014 and at 30 September 2014 are as follows:

	Pachinko and pachislot hall operations	Others	Total
	¥ million	¥ million	¥ million
As at 31 March 2012			
Segment assets	41,672	536	42,208
Unallocated assets			1,412
Deferred income tax assets			1,563
Total assets			45,183
As at 31 March 2013			
Segment assets	38,097	635	38,732
Unallocated assets			1,850
Deferred income tax assets			1,612
Total assets			42,194
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

	Pachinko and pachislot hall operations	Others	Total
	¥ million	¥ million	¥ million
As at 30 September 2014			
Segment assets	43,143	683	43,826
Unallocated assets			3,222
Deferred income tax assets			2,038
Total assets			49,086

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 March 2012, 2013 and 2014, and for the six months ended 30 September 2013 and 2014.

The Group is domiciled in Japan and all non-current assets of the Group as at 31 March 2012, 2013 and 2014 and as at 30 September 2014 are located in Japan.

6 Other income and other losses, net

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million	¥ million
				(unaudited)	
Other income					
Rental income	89	161	149	76	74
Income from expired IC and membership cards	36	41	40	21	18
Dividend income	4	29	67	35	34
Compensation and subsidies (Note 1)	101	102	44	10	598
Income from scrap sales of used pachinko and pachislot machines	94	59	51	34	68
Recovery from insurance companies (Note 2)	788	25	—	—	—
Others	3	29	27	6	9
	1,115	446	378	182	801
Other losses, net					
(Loss)/gain on fair value for financial assets at fair value through profit or loss	(8)	11	5	2	4
(Loss)/gain on disposal of financial assets at fair value through profit or loss	—	(28)	—	5	—
Gain/(loss) on fair value for interest rate swaps	44	11	(4)	(3)	10
Loss on disposal of property, plant and equipment	(69)	(24)	(101)	(85)	(39)
Loss on fire incident (Note 2)	(468)	—	—	—	—
Net exchange (loss)/gain	(3)	10	3	—	—
	(504)	(20)	(97)	(81)	(25)

Note 1: 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.

Note 2: On 3 May 2011, one of the Group's pachinko and pachislot halls temporarily closed operations due to a fire accident. This fire accident caused significant damage to certain property, plant and equipment and inventories amounted to ¥468 million in the pachinko and pachislot hall. In addition, the fire accident impacted the operation of the pachinko and pachislot hall.

The Group has insurance policies which cover certain damage directly caused by the fire accident. The insurance policies cover the damage and costs associated with property, plant and equipment and inventories and provide business interruption coverage, including loss of profits. For the year ended 31 March 2012, insurance claim in the amounts of ¥788 million was agreed by the insurance carriers and were recorded as other income in the consolidated statements of comprehensive income.

7 Hall operating expenses and administrative and other operating expenses

		Year ended 31 March			Six months ended 30 September	
	Note	2012	2013	2014	2013	2014
		¥ million	¥ million	¥ million	¥ million	¥ million
					(unaudited)	
Auditors' remuneration		26	29	30	14	15
Employee benefits expenses	8					
- Hall operations		4,818	4,594	4,626	2,362	2,417
- Administrative and others		1,331	1,891	1,318	654	1,331
Operating lease rental expense in respect of land and buildings		2,295	2,362	2,483	1,219	1,399
Depreciation of property, plant and equipment		1,995	1,980	2,213	1,106	996
Depreciation of investment properties		14	14	14	7	7
Amortisation of intangible assets		45	31	28	14	15
Reinstatement expenses		38	21	21	11	11
Recruitment expenses		47	258	278	78	71
Travelling and transportation		96	124	138	68	71
Other taxes and duties		389	389	403	39	75
Repairs and maintenance		296	326	335	205	118
Utilities expenses		834	979	1,081	543	574
Consumables and cleaning		1,247	1,471	1,561	864	754
Outsourcing service expenses		1,002	1,181	1,223	630	530
G-Prize procurement expenses to wholesalers		755	774	804	401	399
Pachinko and pachislot machines expenses (Note)		7,161	7,948	8,216	4,163	4,482
Advertising expenses		939	1,231	1,362	733	680

	Note	Year ended 31 March			Six months ended 30 September	
		2012	2013	2014	2013	2014
		¥ million	¥ million	¥ million	¥ million	¥ million
					(unaudited)	
Impairment loss on property, plant and equipment		124	—	620	—	—
Write-off/(reversal) of doubtful debts		116	(102)	2	—	—
Legal and professional fees		9	16	23	13	261
Others		351	518	655	383	246
		23,928	26,035	27,434	13,507	14,452

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

8 Employee benefits expenses (including directors' emoluments)

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million	¥ million
				(unaudited)	
Salaries, bonuses and allowances	4,994	4,737	4,772	2,385	2,505
Pension costs - defined contribution plan	62	61	61	31	33
Other employee benefits	1,093	1,687	1,111	600	1,210
	6,149	6,485	5,944	3,016	3,748

(a) Pension costs — defined contribution plan

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 Relevant Periods.

(b) Directors' emoluments

The remuneration of every director of the Company paid/payable by the Group for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014 is set out below:

Year ended 31 March 2012

Name	Fee	Salaries, allowances and other benefits	Discretionary bonuses	Defined contribution pension costs	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
Director					
Hisanori Taniguchi	42	—	3	1	46

Year ended 31 March 2013

Name	Fee	Salaries, allowances and other benefits	Discretionary bonuses	Defined contribution pension costs	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
Directors					
Hisanori Taniguchi	44	—	—	*	44
Tatsuo Taniguchi.	36	—	—	*	36
Hidenori Morota	17	—	—	*	17
Akinori Ohishi	12	—	—	*	13
Independent non-executive director					
Hiroaki Morita	1	—	—	—	1
	110	—	—	2	110

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 Ohishi	17	—	—	1	18
Independent non-executive director					
Hiroaki Morita	4	—	—	—	4
	123	—	—	4	127

Six months ended 30 September 2013

Name	Fee	Salaries, allowances and other benefits	Discretionary bonuses	Defined contribution pension costs	Total
	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)	¥ million (unaudited)
Directors					
Hisanori Taniguchi	22	—	—	*	22
Tatsuo Taniguchi	18	—	—	*	18
Hidenori Morota	11	—	—	*	11
Akinori Ohishi	8	—	—	*	8
Independent non-executive director					
Hiroaki Morita	2	—	—	—	2
	61	—	—	1	61

Six months ended 30 September 2014

Name	Fee	Salaries, allowances and other benefits	Discretionary bonuses	Defined contribution pension costs	Total
	¥ million	¥ million	¥ million	¥ million	¥ million
Directors					
Hisanori Taniguchi	36	—	—	*	36
Tatsuo Taniguchi	21	600	—	*	621
Hidenori Morota	12	—	—	*	12
Akinori Ohishi	11	—	—	*	11
Independent non-executive directors					
Hiroaki Morita	2	—	—	—	2
Norio Nakayama	1	—	—	—	1
Masaharu Togo	1	—	—	—	1
External director					
Hiroshi Bannai	1	—	—	—	1
	85	600	—	1	685

* Insignificant amount less than ¥1 million

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 (Note)		
Hiroshi Bannai	25 June 2014	31 October 2014

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.

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 Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014 include 1, 4, 4, 4 and 4 directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4, 1, 1, 1 and 1 individuals during the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	¥ million	**¥ million**	**¥ million**	**¥ million (unaudited)**	**¥ million**
Salaries allowances and other benefits	113	618	10	5	5
Bonuses	4	—	2	1	1
Pension cost - defined contribution plan	2	–	–	–	–
	119	618	12	6	6

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				
	Year ended 31 March			Six months ended 30 September	
Emolument bands	2012	2013	2014	2013	2014
HK$500,001 to HK$1,000,000 (equivalent to approximately ¥5,000,001 to ¥10,000,000)	—	—	—	1	1
HK$1,000,001 to HK$1,500,000 (equivalent to approximately ¥10,000,001 to ¥15,000,000)	—	–	1	–	–
HK$1,500,001 to HK$2,000,000 (equivalent to approximately ¥15,000,001 to ¥20,000,000)	1	–	–	–	–
HK$2,000,001 to HK$2,500,000 (equivalent to approximately ¥20,000,001 to ¥25,000,000)	1	–	–	–	–
HK$3,500,001 to HK$4,000,000 (equivalent to approximately ¥35,000,001 to ¥40,000,000)	2	—	—	—	—
HK$61,500,001 to HK$62,000,000 (equivalent to approximately ¥615,000,001 to ¥620,000,000)	—	1	—	—	—
	4	1	1	1	1

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the Relevant Periods.

9 Finance costs, net

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Finance income					
Bank interest income	3	—	1	—	—
Other interest income	63	63	57	28	88
	66	63	58	28	88
Finance costs					
Bank borrowings					
- wholly repayable within 5 years	(337)	(212)	(249)	(121)	(127)
- Not wholly repayable within 5 years	(54)	(86)	(74)	(36)	(30)
Bond interest expense	(9)	(5)	(5)	(3)	(1)
Obligations under finance leases	(307)	(338)	(364)	(184)	(173)
Provision for unwinding discount	(87)	(79)	(52)	(24)	(26)
	(794)	(720)	(744)	(368)	(357)
Finance costs, net	(728)	(657)	(686)	(340)	(269)

10 Income tax expense

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Current tax					
- Japan corporate income tax for the year/period	3,146	2,845	2,387	1,001	1,238
Deferred income tax (Note 30)	(168)	(125)	(77)	59	(548)
	2,978	2,720	2,310	1,060	690

Japan corporate income tax has been calculated on the estimated assessable profit for the Relevant Periods 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 Relevant Periods as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

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

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Profit before income tax	6,307	6,485	6,008	2,683	1,627
Tax calculated at applicable Japan corporate income tax rate	2,537	2,439	2,259	1,010	573
Income not subject to tax	(2)	(47)	(25)	(13)	(12)
Expenses not deductible for tax purpose	12	8	38	16	18
Unrecognised tax losses	—	226	31	13	111
Family corporation tax	318	94	111	34	—
Utilisation of previously unrecognised tax losses	—	—	(223)	—	—
Effect of change in tax rate	113	—	119	—	—
	2,978	2,720	2,310	1,060	690

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 40.2%, 37.6%, 37.6%, 37.6% and 35.2% for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014, respectively.

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.

The Group measured the current income tax for the year ended 31 March 2012 based on revised applicable income tax rates. The relevant deferred tax assets and liabilities 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.

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 six months ended 30 September 2014 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 shareholders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue during the Relevant Periods, 3,895,002 shares of the Company, which were resulted from the issue and allotment of 3,895,002 shares by the Company in connection with the Reorganisation, had been treated as if those shares were in issue since 1 April 2011.

	Year ended 31 March			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
				(unaudited)	
Profit attributable to shareholders of the Company (¥ million)	3,329	3,765	3,698	1,623	937
Weighted average number of ordinary shares in issue (thousands)	3,895	3,895	3,895	3,895	3,895
Basic and diluted earnings per share (Japanese Yen)	855	967	949	417	241

No diluted earnings per share is presented as there was no potential dilutive share during the Relevant Periods. Diluted earnings per share is equal to the basic earnings per share.

The earnings per share as presented on the consolidated statements of comprehensive income has not taken into account the proposed sub-division of issued shares as described in Note 37.

12 Dividends

The Company and certain of its subsidiaries distributed final dividends to their shareholders/then shareholders for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014.

	Year ended 31 March						Six months ended 30 September			
	2012		2013		2014		2013		2014	
	Dividend per share	Total dividend	Dividend per share	Total dividend	Dividend per share	Total dividend	Dividend per share	Total dividend	Dividend per share	Total dividend
	¥	¥ million	¥	¥ million	¥	¥ million	¥	¥ million (unaudited)	¥	¥ million
The Company	—	—	—	—	—	—	—	—	40	156
Niraku Corporation	20	107	40	107	40	156	40	156	—	—
Nexia Inc.	1,000	3	1,000	3	10,000	27	10,000	27	10,000	27
		110		110		183		183		183

13 Property, plant and equipment - Group

	Freehold land	Buildings	Leasehold improvements	Equipment and tools	Motor vehicles	Construction in progress	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
At 1 April 2011							
Cost	7,353	11,668	8,770	7,151	141	461	35,544
Accumulated depreciation and provision for impairment	—	(4,241)	(4,424)	(4,115)	(70)	—	(12,850)
Net book amount	7,353	7,427	4,346	3,036	71	461	22,694
Year ended 31 March 2012							
Opening net book amount	7,353	7,427	4,346	3,036	71	461	22,694
Transfer	—	390	557	—	—	(947)	—
Additions	—	—	—	1,445	29	591	2,065
Disposals	(20)	—	(44)	(47)	—	—	(111)
Transferred to investment properties (Note 15)	(80)	(98)	—	—	—	—	(178)
Impairment (Note 7)	—	(11)	(14)	(99)	—	—	(124)
Depreciation (Note 7)	—	(437)	(544)	(984)	(30)	—	(1,995)
Closing net book amount	7,253	7,271	4,301	3,351	70	105	22,351

	Freehold land	Buildings	Leasehold improvements	Equipment and tools	Motor vehicles	Construction in progress	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
At 1 April 2012							
Cost	7,253	11,888	9,276	8,064	170	105	36,756
Accumulated depreciation and provision for impairment	—	(4,617)	(4,975)	(4,713)	(100)	—	(14,405)
Net book amount	7,253	7,271	4,301	3,351	70	105	22,351
Year ended 31 March 2013							
Opening net book amount	7,253	7,271	4,301	3,351	70	105	22,351
Transfer	—	335	491	—	—	(826)	—
Additions	115	190	62	1,471	65	782	2,685
Acquisition of a subsidiary (Note 36)	32	397	198	145	—	—	772
Disposals	—	(12)	(8)	(73)	—	—	(93)
Depreciation (Note 7)	—	(490)	(562)	(896)	(32)	—	(1,980)
Closing net book amount	7,400	7,691	4,482	3,998	103	61	23,735
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
Six months ended 30 September 2014							
Opening net book amount	7,389	9,351	4,568	4,374	83	52	25,817
Transfer	—	69	99	—	—	(168)	—
Additions	363	19	—	144	—	693	1,219
Disposals	—	(162)	(15)	(57)	—	—	(234)
Depreciation (Note 7)	—	(272)	(277)	(432)	(15)	—	(996)
Closing net book amount	7,752	9,005	4,375	4,029	68	577	25,806
At 30 September 2014							
Cost	7,752	15,015	10,530	10,794	250	577	44,918
Accumulated depreciation and provision for impairment	—	(6,010)	(6,155)	(6,765)	(182)	—	(19,112)
Net book amount	7,752	9,005	4,375	4,029	68	577	25,806

Depreciation expenses of ¥1,848 million, ¥1,941 million, ¥2,117 million and ¥1,059 million (unaudited) and ¥948 million has been charged in "hall operating expenses" and ¥147 million, ¥39 million, ¥96 million and ¥34 million (unaudited) and ¥48 million has been charged in "administrative and other operating expenses" for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014, respectively.

Construction in progress as at 31 March 2012, 2013 and 2014 and 30 September 2014 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 years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 has been disclosed in Note 28.

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

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Buildings				
Cost — capitalised finance leases	3,559	3,748	5,859	5,534
Accumulated depreciation	(1,340)	(1,560)	(1,844)	(1,837)
	2,219	2,188	4,015	3,697

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.

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 Relevant Periods.

	As at 31 March			As at 30 September
	2012	2013	2014	2014
Revenue growth rate	0%	0%	0%	0%
Discount rate	7.3%	7.5%	8.7%	9.4%

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.

As a result of the impairment review, the carrying amounts of certain CGUs exceeded their recoverable amounts. Accordingly, impairment loss of approximately ¥124 million, nil, ¥620 million, nil (unaudited) and nil has been recognised in respect of buildings and leasehold improvements of the pachinko halls for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014, respectively.

14 Investments in subsidiaries - Company

	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Unlisted equity investments, at cost	16,286	16,286	16,286

Details of the Company's directly and indirectly held subsidiaries as at 31 March 2012, 2013 and 2014 and 30 September 2014 are explained in Note 1.2.

15 Investment properties - Group

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
At cost				
At beginning of year/period	—	683	669	676
Additions	519	—	21	—
Transferred from property, plant and equipment (Note 13)	178	—	—	—
Depreciation	(14)	(14)	(14)	(7)
At end of year/period	683	669	676	669
At end of year/period				
Cost	770	770	791	791
Accumulated depreciation	(87)	(101)	(115)	(122)
	683	669	676	669

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 2012, 2013 and 2014 and 30 September 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:

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Rental income	29	95	95	47	48
Direct operating expenses from the properties that generated rental income	(7)	(18)	(21)	(8)	(8)
	22	77	74	39	40

The Group's investment properties were valued as at 31 March 2012, 2013 and 2014 and as at 30 September 2014 by an independent professionally qualified valuer, DTZ Debenham Tie Leung Limited ("DTZ"), who hold 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 investment approach which largely used observable and unobservable inputs, including market rent, capitalisation rate and estimation in vacancy rate after expiry of current lease. The investment properties are recognised under Level 3 of 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 2012, 2013 and 2014 and 30 September 2014 is ¥586 million, ¥643 million, ¥708 million and ¥724 million, respectively. No impairment loss was recognised.

16 Intangible assets — Group

	Goodwill	Computer software	Total
	¥ million	¥ million	¥ million
At 1 April 2011			
Cost	104	555	659
Accumulated amortisation	—	(438)	(438)
Net book amount	104	117	221
Year ended 31 March 2012			
Opening net book amount	104	117	221
Additions	—	1	1
Amortisation (Note 7)	—	(45)	(45)
Closing net book amount	104	73	177
At 1 April 2012			
Cost	104	556	660
Accumulated amortisation	—	(483)	(483)
Net book amount	104	73	177
Year ended 31 March 2013			
Opening net book amount	104	73	177
Additions	—	15	15
Amortisation (Note 7)	—	(31)	(31)
Closing net book amount	104	57	161
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

	Goodwill	Computer software	Total
	¥ million	¥ million	¥ million
Six months ended 30 September 2014			
Opening net book amount	104	63	167
Additions	—	20	20
Amortisation (Note 7)	—	(15)	(15)
Closing net book amount	104	68	172
At 30 September 2014			
Cost	104	625	729
Accumulated amortisation	—	(557)	(557)
Net book amount	104	68	172

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 ¥45 million, ¥31 million, ¥28 million and ¥14 million (unaudited) and ¥15 million have been charged in "hall operating expenses" for the years ended 31 March 2012, 2013 and 2014 and six months ended 30 September 2013 and 2014, respectively.

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 2012, 2013 and 2014 and at 30 September 2014. As a result, no impairment loss was charged during the Relevant Periods.

17 Financial instruments by category - Group and Company

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Financial assets				
Financial assets at fair value				
Fair value through profit or loss	429	546	701	697
Fair value through other comprehensive income	220	919	1,574	1,476
	649	1,465	2,275	2,173
Financial assets at amortised cost				
Trade receivables	60	64	54	52
Deposits and other receivables (including amounts due from directors and a shareholder and amounts due from related companies)	3,467	3,256	3,023	3,130
Cash and bank balances	13,485	8,734	10,199	11,760
	17,012	12,054	13,276	14,942
	17,661	13,519	15,551	17,115
Financial liabilities				
Financial liabilities at fair value				
Derivative financial instruments	55	44	48	38
Other financial liabilities at amortised cost				
Trade payables	347	382	201	145
Other payables	3,456	3,510	2,586	4,195
Borrowings (including amounts due to a shareholder and related companies)	12,374	11,073	12,379	14,041
Obligations under finance leases	6,527	6,552	7,619	6,898
	22,704	21,517	22,785	25,279
	22,759	21,561	22,833	25,317

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Financial assets			
Financial assets at amortised cost			
Deposits and other receivables	—	121	379
Cash and bank balances	62	93	670
	62	214	1,049
Financial liabilities			
Financial liabilities at amortised cost			
Other payables	15	8	62
Amount due to a subsidiary	201	—	701
Amount due to a related company	—	—	24
Borrowings	3,288	3,129	2,959
	3,504	3,137	3,746

18 Financial assets at fair value — Group

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

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
Unlisted securities				
- Debt securities	429	546	701	697
- Less non-current portion	(395)	(546)	(601)	(697)
Current portion	34	—	100	—

Change in fair value of financial assets at fair value through profit or loss are recorded in "other losses, net" in the consolidated statements 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.

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

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Listed securities				
- Equity securities	134	909	1,574	1,474
Unlisted securities				
- Equity securities	86	10	—	2
	220	919	1,574	1,476

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

The fair value of all equity securities is based on the current bid prices and recent transaction prices in an active market.

19 Derivative financial instruments - Group

	As at 31 March						As at 30 September	
	2012		2013		2014		2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Interest rate swaps	—	55	—	44	—	48	—	38
Less non-current portion	—	(37)	—	(26)	—	(33)	—	(23)
Current portion	—	18	—	18	—	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 2012, 2013 and 2014 and at 30 September 2014, the notional amount of the outstanding interest rate swap agreement with the banks amounted to ¥2,562 million, ¥1,213 million, ¥2,052 million and ¥2,378 million, respectively.

20 Inventories - Group

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Supplies	412	86	21	40

The cost of inventories recognised as expenses and included in "hall operating expense" amounted to ¥7,161 million, ¥7,948 million, ¥8,216 million, ¥4,163 million (unaudited) and ¥4,482 and "administration and other operating expenses" amounted to ¥1 million, ¥2 million, ¥18 million, ¥18 million (unaudited) and ¥1 million for the years ended 31 March 2012, 2013 and 2014 and six months ended 30 September 2013 and 2014, respectively.

21 Trade receivables - Group

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Trade receivables	65	69	59	57
Less: provision for impairment of trade receivables	(5)	(5)	(5)	(5)
	60	64	54	52

Trade receivable represents 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 statements 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 2012, 2013, 2014 and as at 30 September 2014, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Less than 30 days	57	61	51	49
31 - 90 days	—	—	—	—
Over 90 days	8	8	8	8
	65	69	59	57

As at 31 March 2012, 2013 and 2014 and as at 30 September 2014, trade receivables of ¥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:

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Overdue but not impaired				
Over 90 days	3	3	3	3

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and the Company do not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values as at 31 March 2012, 2013 and 2014, and as at 30 September 2014; and are denominated in the Japanese Yen.

22 Prepayments, deposits and other receivables - Group and Company

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Non-current portion				
Rental and other deposits	2,567	2,781	2,597	3,022
Rental prepayments	1,410	1,443	1,540	1,386
Loans receivables	21	21	2	2
Other prepayments and receivables	53	65	112	109
	4,051	4,310	4,251	4,519

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Current portion				
Prepayment for prizes in operation for pachinko and pachislot halls	380	405	689	716
Rental prepayments	362	363	510	519
Loans receivables	1	1	1	1
Other prepayments and receivables	246	266	346	251
	989	1,035	1,546	1,487

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Current portion			
Other receivables	—	—	9

The carrying amounts of prepayment, deposits and other receivables of the Group and the Company approximate their fair values as at 31 March 2012, 2013 and 2014, and as at 30 September 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			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Non-current portion				
Bank deposits with maturity over 1 year	142	71	84	119
Current portion				
Bank deposits with maturity over 3 months	558	654	606	539
Pledged bank deposits (Note a)	200	1,100	1,100	1,100
	758	1,754	1,706	1,639
Cash on hand	1,424	1,772	1,017	918
Cash at banks	11,161	5,137	7,392	9,084
Cash and cash equivalents	12,585	6,909	8,409	10,002
Total cash and bank balances	13,485	8,734	10,199	11,760

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Cash at banks and on hand	62	93	670

Notes:

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

(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			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Japanese Yen	13,393	8,714	10,195	11,713
Others	92	20	4	47
	13,485	8,734	10,199	11,760

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Japanese Yen	62	93	670

24 Share capital - Company

		Ordinary	Veto	Total
Authorised	No. of shares	20,000,000	1	20,000,001
Issued and paid up	No. of shares	3,895,001	1	3,895,002
	Total amount (in Japanese Yen)	9,996,700	3,300	10,000,000

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, among others, included the entire issued stock of Niraku USA Inc. to Niraku Investment Inc.

On the same date, the Company then 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 hall operations under the Company were excluded from the Group.

(b) ***Capital reserve***

Capital reserve represents the difference between the value of net assets of the subsidiaries 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 10 August 2012 and 20 February 2013, the board of directors of Niraku Corporation resolved to repurchase 250,000 and 161,000 issued shares for cash consideration of approximately ¥600 million and ¥531 million, respectively. The repurchase of shares resulted in reduction in retained earnings of ¥1,131 million during the year ended 31 March 2013. On 31 March 2013, Niraku Corporation cancelled all of these shares.

On 1 February 2013, the Company purchased 1,040,000 issued shares of Niraku Corporation from Mr. Tatsuo Taniguchi, Mr. Masataka Taniguchi, Mr. Yoshinno Tei, Mr. Tateo Taniguchi and Mrs. Kyoko Taniguchi for cash consideration of approximately ¥3,432 million upon the approval at the general meeting of shareholders. The purchase of shares resulted in reduction in retained earnings of ¥3,432 million during the year ended 31 March 2013.

On 24 May 2012 and 29 September 2014, Nexia Inc. resolved to repurchase 300 and 2,550 issued shares for cash consideration of approximately ¥12 million and ¥497 million, respectively, upon the approval by the board of directors of Nexia Inc. The repurchase of shares resulted in reduction in retained earnings of ¥12 million and ¥497 million during the year ended 31 March 2013 and the six months ended 30 September 2014, respectively. On 31 March 2013 and 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.

(f) ***Reserves - the Company***

	Capital surplus (Note 25(a))	Retained earnings	Total
	¥ million	¥ million	¥ million
Balance at 1 April 2012	12,844	—	12,844
Profit for the year	—	(10)	(10)
Balances at 31 March 2013 and 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 period	—	1,493	1,493
Total comprehensive income for the period	—	1,493	1,493
Dividend	—	(156)	(156)
Reduction in surplus capital upon distribution in specie (Note 25(a))	(1,110)	—	(1,110)
	(1,110)	(156)	(1,266)
Balance at 30 September 2014	11,734	1,845	13,579

26 Trade payables - Group

The ageing analysis of the trade payables based on invoice dates as at 31 March 2012, 2013, and 2014 and as at 30 September 2014 were as follows:

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Less than 30 days	164	213	112	62
31 - 90 days	183	169	89	83
	347	382	201	145

The carrying amounts of trade payables approximate their fair values as at 31 March 2012, 2013 and 2014, and as at 30 September 2014; and are denominated in Japanese Yen.

27 Accruals, provisions and other payables - Group and Company

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Non-current portion				
Provision for reinstatement costs	1,141	1,267	1,320	1,337
Provision for long service payment	10	16	22	24
Vending machine rental deposit and rental receipt in advance	96	111	105	105
Other payables	33	36	38	35
	1,280	1,430	1,485	1,501
Current portion				
Accrued purchases for pachinko and pachislot machines	715	153	162	708
Accrued purchases for property, plant and equipment	141	32	16	334
Accrued staff costs	634	1,265	659	1,327
Vending machine rental receipt in advance	280	261	276	230
Unutilised balls and tokens	342	360	215	511
Other tax payable	459	515	386	532
Office expenses and consumables	739	777	490	581
Insurance premium payable	103	100	56	53
Utilities payable	34	35	36	31
Other payables	130	86	48	18
	3,577	3,584	2,344	4,325

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Non-current portion			
Other payables	8	7	7
Current portion			
Other payables	7	1	55

The carrying amounts of other payables approximate their fair values as at 31 March 2012, 2013 and 2014, and as at 30 September 2014; and are denominated in Japanese Yen.

28 Borrowings - Group and Company

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Non-current portion				
Bank loans	2,149	2,617	3,469	3,627
Syndicated loans	2,854	5,155	5,606	5,772
Bonds	23	219	195	569
	5,026	7,991	9,270	9,968
Current portion				
Bank loans	1,689	2,034	2,233	3,048
Syndicated loans	5,319	1,001	851	903
Bonds	195	47	25	122
	7,203	3,082	3,109	4,073
Total borrowings	12,229	11,073	12,379	14,041

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Bank loans			
Current portion	174	350	351
Non-current portion	3,114	2,779	2,608
Total borrowings	3,288	3,129	2,959

As at 31 March 2012, 2013 and 2014, and at 30 September 2014, the Group's borrowings were repayable as follows:

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Within 1 year	7,203	3,082	3,109	4,073
Between 1 and 2 years	1,765	1,479	2,278	2,761
Between 2 and 5 years	1,357	2,936	3,884	4,238
Over 5 years	1,904	3,576	3,108	2,969
	12,229	11,073	12,379	14,041

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Within 1 year	174	350	350
Between 1 and 2 years	349	350	351
Between 2 and 5 years	1,046	1,051	1,052
Over 5 years	1,719	1,378	1,206
Total borrowings	3,288	3,129	2,959

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

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
Bank loans	2.9%	2.8%	2.7%	2.7%
Syndicated loans	2.8%	2.2%	2.3%	2.3%
Bonds	2.1%	1.5%	1.4%	2.0%

	Company		
	As at 31 March		As at 30 September
	2013	2014	2014
Bank loans	2.0%	2.0%	2.0%

The Group, as a lessee, has entered into a finance lease arrangement on 31 July 2014 which the Group agreed to sell certain leasehold improvements to a third party lessor at an aggregate consideration of ¥500 million and the lessor agreed to lease-back the leasehold improvements to the Group for a total lease payments of ¥559 million covering a period of 84 months commencing from 1 October 2014. 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 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:

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Property, plant and equipment	10,405	10,439	7,902	8,975
Investment properties	683	669	676	669
Bank deposits	200	1,100	1,100	1,100
Deposits and other receivables	185	180	339	335
Other long term assets	28	35	37	67
	11,501	12,423	10,054	11,146

The Group's borrowings and obligations under finance leases (Note 29) of ¥8,231 million, ¥2,477 million, ¥3,316 million and ¥1,807 million as at 31 March 2012, 2013, 2014, and as at 30 September 2014, respectively were guaranteed by the directors, namely Mr. Hisanori Taniguchi, Mr. Masataka Taniguchi and Mr. Tatsuo Taniguchi. These personal guarantees will be replaced by the corporate guarantee before the Listing.

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

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Floating rate				
- Expiring over 1 year	—	—	1,000	—

The carrying amounts of borrowings of the Group and the Company approximate their fair values as at 31 March 2012, 2013 and 2014, and as at 30 September 2014.

During the Relevant Periods, the principal amounts of bonds issued by the Group carried at fixed interest rate per annum are as follows:

Issue date	Principal amount	Interest rate	Due date
	¥ million		
30 March 2004	250	1.20%	28 February 2014
13 July 2006	300	1.61%	12 July 2012
28 December 2009	200	0.70%	28 December 2011
18 June 2010	200	0.63%	28 June 2012
28 December 2010	200	0.62%	28 December 2012
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

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Gross finance lease liabilities - minimum lease payments				
No later than 1 year	2,635	2,624	2,536	3,065
Later than 1 year and no later than 2 years	1,206	1,331	1,521	1,357
Later than 2 year and no later than 5 years	2,185	2,142	2,383	1,835
Later than 5 years	1,340	1,192	2,449	1,754
	7,366	7,289	8,889	8,011
Future finance charges on finance leases	(839)	(737)	(1,270)	(1,113)
Present values of finance lease liabilities	6,527	6,552	7,619	6,898

The present values of finance lease liabilities are as follows:

	2012	2013	2014	2014
No later than 1 year	2,392	2,394	2,253	2,808
Later than 1 year and no later than 2 years	1,035	1,173	1,312	1,179
Later than 2 year and no later than 5 years	1,917	1,910	2,009	1,512
Later than 5 years	1,183	1,075	2,045	1,399
Total finance lease liabilities	6,527	6,552	7,619	6,898
Less: Amount included in current liabilities	(2,392)	(2,394)	(2,253)	(2,808)
	4,135	4,158	5,366	4,090

Assets arranged under finance leases represent buildings for pachinko and pachislot halls and pachinko and pachislot machines. The average lease term is 20 years with effective interest rate ranged from 4.56% to 4.86% per annum as at 31 March 2012, 2013, 2014 and as at 30 September 2014. 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:

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Deferred income tax assets				
- to be recovered after more than 12 months	1,394	1,382	1,657	1,430
- to be recovered within 12 months	1,577	1,750	1,511	1,935
	2,971	3,132	3,168	3,365
Deferred income tax liabilities				
- to be recovered after more than 12 months	(1,408)	(1,520)	(1,706)	(1,327)
- to be recovered within 12 months	—	—	—	—
	(1,408)	(1,520)	(1,706)	(1,327)
Deferred income tax assets, net	1,563	1,612	1,462	2,038

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

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
At 1 April	1,404	1,563	1,612	1,462
(Charged)/credited to other comprehensive income	(9)	(76)	(227)	28
Credited to profit or loss	168	125	77	548
Deferred income tax assets	1,563	1,612	1,462	2,038

The movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Group					
	Property, plant and equipment	**Asset retirement obligation**	**Fair value through profit and loss financial assets**	**Fair value through other comprehensive income**	**Other provisions**	**Total**
	¥ million	**¥ million**	**¥ million**	**¥ million**	**¥ million**	**¥ million**
Balance at 1 April 2011	1,942	463	55	15	345	2,820
Charged to other comprehensive income	—	—	—	(9)	—	(9)
Credited/(charged) to profit or loss	39	(26)	(15)	—	162	160
Balances at 31 March 2012 and 1 April 2012	1,981	437	40	6	507	2,971
Charged to other comprehensive income	—	—	—	(6)	—	(6)
(Charged)/credited to profit or loss	(104)	6	(2)	—	267	167
Balances at 31 March 2013 and 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
(Charged)/credited to profit or loss	(52)	2	3	—	244	197
Balance at 30 September 2014	2,100	490	31	—	744	3,365

Deferred income tax liabilities

	Group		
	Property, plant and equipment	Fair value through other comprehensive income	Total
	¥ million	¥ million	¥ million
Balance at 1 April 2011	(1,416)	—	(1,416)
Credited to profit or loss	8	—	8
Balances at 31 March 2012 and 1 April 2012	(1,408)	—	(1,408)
Charged to other comprehensive income	—	(70)	(70)
Charged to profit or loss	(42)	—	(42)
Balance at 31 March 2013 and 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	—	28	28
Credited to profit or loss	351	—	351
Balance at 30 September 2014	(1,058)	(269)	(1,327)

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 ¥226 million, ¥31 million and ¥142 million in respect of losses amounting to approximately ¥601 million, ¥81 million and ¥395 million that can be carried forward against future taxable income as at 31 March 2013, 31 March 2014 and 30 September 2014 respectively. Losses can be carried forward for 7 years.

Other than the above, there was no material unprovided deferred income tax as at 31 March 2012, 2013 and 2014 and at 30 September 2014.

31 Amount due to a subsidiary - Company

Loan payables to a subsidiary as at 31 March 2013 and as at 30 September 2014 are non-trade nature, unsecured, interest bearing at 2.5% per annum and repayable on demand. Other amounts due to a subsidiary as at 31 March 2013 and as at 30 September 2014 are non-trade nature, unsecured, interest free and repayable on demand.

The carrying amount of the amount due to a subsidiary approximates its fair value as at the Relevant Periods and is denominated in Japanese Yen.

	As at 31 March		As at 30 September
	2013	2014	2014
	¥ million	¥ million	¥ million
Amounts due to Niraku Corporation			
Loan payables to Niraku Corporation	200	—	600
Interest payables to Niraku Corporation	1	—	3
Balance due to Niraku Corporation	—	—	98
	201	—	701

32 Cash generated from operations

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Profit before income tax	6,307	6,485	6,008	2,683	1,627
Adjustments for:					
Depreciation of property, plant and equipment	1,995	1,980	2,213	1,106	996
Depreciation of investment properties	14	14	14	7	7
Amortisation of intangible assets	45	31	28	14	15
Loss on disposal of property, plant and equipment	69	24	101	85	39
Impairment loss of property, plant and equipment	124	—	620	—	—
Write-off/(reversal) of doubtful debts	116	(102)	2	—	—
Finance costs, net	728	657	686	340	269
Dividend income	(4)	(29)	(67)	(35)	(34)
(Gain)/loss on fair value for derivative financial instruments	(44)	(11)	4	3	(10)
Loss/(gain) on fair value for financial assets at fair value through profit or loss	8	(11)	(5)	(2)	(4)
Loss/(gain) on disposal of financial assets at fair value through profit or loss	—	28	—	(5)	—
Changes in working capital:					
Inventories	2,365	3,081	2,535	1,772	591
Trade receivables	(20)	(4)	10	—	2
Prepayments, deposits and other receivables	561	25	(1,151)	(979)	(857)
Amounts due from directors and a shareholder	—	10	12	6	378
Trade payables	237	35	(181)	(214)	(56)
Accruals, provisions and other payables	934	55	(1,222)	(1,220)	1,564
Cash generated from operations	13,435	12,268	9,607	3,561	4,527

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

	As at 31 March			As at 30 September	
	2012	2013	2014	2013	2014
Net book amount	111	93	134	87	234
Loss on disposal of property, plant and equipment	(69)	(24)	(101)	(85)	(39)
Proceeds from disposal of property, plant and equipment	42	69	33	2	195

Non-cash transactions:

(a) For the years ended 31 March 2012, 2013 and 2014 and for the six months ended 30 September 2013 and 2014, certain property, plant and equipment and pachinko and pachislot machines amounting to ¥4,499 million, ¥4,381 million, ¥6,156 million, ¥4,400 million (unaudited) and ¥681 million were purchased under finance leases.

(b) For the years ended 31 March 2012, 2013 and 2014 and for the six months ended 30 September 2013 and 2014, certain finance lease obligations amounting to ¥36 million, ¥37 million, ¥628 million, ¥662 million (unaudited) and ¥425 million were settled through reduction of rental prepayments.

(c) The issue of shares as consideration for acquisition of Niraku Corporation and distribution in specie as discussed in Note 1.2 are non-cash transactions.

33 Contingencies - Group and Company

As at 31 March 2012, 2013 and 2014, and as at 30 September 2014, the Group and the Company did not have any significant contingent liabilities.

34 Commitments

(a) *Capital commitments*

The outstanding capital commitments of the Group not provided for in the Financial Information as at 31 March 2012, 2013, 2014 and as at 30 September 2014 are as follows:

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Contracted but not provided for purchase of property, plant and equipment	—	407	—	866

(b) *Operating lease commitments - Group*

(i) *As a lessee*

As at 31 March 2012, 2013, 2014 and at 30 September 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:

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
No later than one year	595	611	737	848
Later than one year and no later than five years	2,378	2,445	3,089	3,412
Over five years	4,239	3,714	5,247	5,424
	7,212	6,770	9,073	9,684

(ii) *As a lessor*

As at 31 March 2012, 2013, 2014 and at 30 September 2013 and 2014, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group			
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
No later than one year	42	15	44	44

35 Related party transactions

For the purposes of this 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 during the years ended 31 March 2012, 2013 and 2014 and for the six months ended 30 September 2013 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	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.

Other than those transactions and balances disclosed elsewhere in the Financial Information, the following transactions were carried out with related parties during the Relevant Periods:

Related party transactions

(a) Transactions with related parties

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

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Discontinued transactions:					
Rental expenses					
Hisanori Taniguchi	18	18	18	9	8
Tatsuo Taniguchi	18	18	18	9	8
Masataka Taniguchi	24	24	24	12	11
	60	60	60	30	27

The rental expenses were related to the operating lease expense of a pachinko hall owned by the Taniguchi Family. During the six months ended 30 September 2014, the Group acquired the related property from the Taniguchi Family as part of the Reorganisation (Note 1.2(ix)).

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	¥ million	¥ million	¥ million	¥ million (unaudited)	¥ million
Interest expenses					
Kyoko Taniguchi	1	3	—	—	—
KAWASHIMA Co., Ltd.	1	—	—	—	—
	2	3	—	—	—
Interest income					
Jukki Limited	2	2	—	—	—
Densho Limited	2	2	—	—	—
Echo Limited	2	2	—	—	—
Daiki Limited	2	2	—	—	—
Hokuyo Kanko Limited	5	4	—	—	—
	13	12	—	—	—

All of the above transactions with related parties were conducted in the ordinary course of the business of the Group based on the 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:

	Year ended 31 March			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	¥ million	**¥ million**	**¥ million**	**¥ million**	**¥ million**
				(unaudited)	
Directors' fees	130	137	135	67	92
Basic salaries, allowances and other benefits in kind	—	600	—	—	600
Discretionary bonus	10	2	—	—	—
Employee's contribution to pension scheme	5	2	5	2	2
	145	741	140	69	694

(c) Guarantees by directors and shareholders

As at 31 March 2012, 2013 and 2014 and 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 will be replaced by corporate guarantees upon the Listing.

Amounts due from directors and shareholders

The amounts represented prepaid rental deposits to directors and shareholders. The amounts were unsecured, interest free and refundable upon the termination of lease agreements. As at 31 March 2012, 2013 and 2014, there was no impairment for the amounts due from directors and shareholders, as the amounts have not past due and they have no history of default in payment. As at 30 September 2014, the rental deposits were fully refunded.

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Non-current portion				
Hisanori Taniguchi	95	93	91	—
Tatsuo Taniguchi	95	93	91	—
Masataka Taniguchi	128	125	122	—
	318	311	304	—
Current portion				
Hisanori Taniguchi	3	4	4	—
Tatsuo Taniguchi	3	4	4	—
Masataka Taniguchi	4	4	4	—
	10	12	12	—

The maximum receivable balances during the Relevant Periods were:

	Year ended 31 March			Six months ended 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
Hisanori Taniguchi	98	98	97	96
Tatsuo Taniguchi		98	97	96
		196	194	192

Amounts due from related companies

The amounts represented loans due from related companies which were unsecured, interest-bearing at 3.2% per annum and repayable on 28 February 2013. The amounts were fully repaid on 28 February 2013.

	As at 31 March	
	2012	2013
	¥ million	¥ million
Jukki Limited	70	—
Densho Limited	70	—
Echo Limited	70	—
Daiki Limited	70	—
Hokuyo Kanko Limited	155	—
	435	—

Amount due to a related party

The amount represented loan due to Kyoko Taniguchi which was unsecured, interest-bearing at 3.0% per annum and repayable on 1 February 2012. The amount was fully repaid on 31 January 2013.

	As at 31 March	
	2012	2013
	¥ million	¥ million
Kyoko Taniguchi	100	—

Amounts due to related companies

Amount due to KAWASHIMA Co., Ltd. was unsecured, interest-bearing at 3.0% per annum and repayable on 29 September 2014. The amount was fully repaid on 28 June 2012.

Amount due to Niraku Investment Inc. was unsecured, interest-free and repayable on demand. The amount was fully repaid on 14 October 2014.

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	¥ million	¥ million	¥ million	¥ million
KAWASHIMA Co., Ltd.	45	—	—	—
Niraku Investment Inc.	—	—	—	24
	45	—	—	24

36 Business combination

On 15 June 2012, the Group acquired all shares of JIN Corporation ("JIN"), a company operating pachinko and pachislot halls in Japan, from a third party with a total consideration of approximately ¥820 million. On the date of acquisition, the fair value of the net identifiable assets in JIN in aggregate amounted to ¥820 million and represented property, plant and equipment, other deposits and asset retirement obligation amounted to ¥772 million, ¥133 million and ¥85 million respectively. The acquisition was expected to increase the Group's operation scale and thus benefit the Group's business expansion plan.

Acquisition-related costs of ¥6 million have been charged to "administrative and other operating expenses" in the consolidated statements of comprehensive income for the year ended 31 March 2013. The revenue and net loss for year ended 31 March 2013 as though the acquisition date for the business combination had been 1 April 2012, are ¥222 million and ¥529 million, respectively. JIN was subsequently merged into Niraku Corporation on 30 September 2013.

37 Subsequent events

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 September 2014:

(a) The Group entered into a master franchisee arrangement with a holder of the rights of operation and use of trademark LIZARRAN and of its know-how on 16 December 2013. According to the agreement, the Group is committed to open, as a minimum, 1 restaurant within the years from 2014 to 2028 and at the end of the year 2028, the Group must have 20 LIZARRAN establishments opened in Japan.

(b) On 16 March 2015, the shareholders approved that (i) every issued share of nil par value will be sub-divided into 230 shares of nil par value with effect from 31 March 2015; and (ii) for the purpose of such sub-division, the number of shares authorised to be issued by the Company be increased from 20,000,000 shares to 2,000,000,000 shares with effect from 31 March 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2014 and up to the date of this report. No dividend or distribution has been declared or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

* *For identification purpose only*