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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 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**”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC HOLDINGS, INC.*

(Incorporated Japan with limited liability)

(Stock Code: 1245)

ANNUAL GENERAL MEETING

Resolutions will be proposed at the Annual General Meeting of the Company to be held at 2-1-24, Hohaccho, Koriyama-shi, Fukushima, 963-8811, Japan on Wednesday, 29 June 2016 at 10:00 a.m. to approve the matters set out in this circular.

A notice convening the Annual General Meeting together with a form of proxy for use at the Annual General Meeting are enclosed with this circular. Shareholders who are unable to attend the Annual General Meeting in person should complete and return the accompanying form of proxy in accordance with the instructions printed thereon and set out on pages 6 to 10 of this circular.

* for identification purpose only

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annual General Meeting”	the annual general meeting of the Company to be held at 2-1-24, Hohaccho, Koriyama-shi, Fukushima, 963-8811, Japan on Wednesday, 29 June 2016 at 10:00 a.m.
“Articles”	the articles of incorporation* (定款) of the Company that were adopted on 16 March 2015 and became effective on 8 April 2015
“associate(s)”	have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Beneficial Owner(s)”	beneficial owners of the Shares who hold pecuniary interests and voting rights in the Company attached to the Shares deposited into CCASS and held in the name of HKSCC Nominees
“Chief Executive Officer”	the chief executive officer* (代表執行役) of the Company
“close associate(s)”	have the meaning ascribed to it under the Listing Rules
“Company”	NIRAKU GC HOLDINGS, INC.* (株式会社ニラク・ジー・シー・ホールディングス) (formerly known as Niraku Global Community Holdings Inc.* (株式会社ニラク・グローバル・コミュニティ・ホールディングス) from 10 January 2013 to 20 October 2014), which is a stock company* (株式会社) incorporated in Japan with limited liability on 10 January 2013 (registration number (3800-01-022352)
“connected person(s)”	have the meaning ascribed to it under the Listing Rules
“core connected person(s)”	have the meaning ascribed to it under the Listing Rules
“Director(s)”	director*(s) (取締役) of the Company, who are designated as a Director* (取締役) or an external Director* (社外取締役) in accordance with the requirements under the Japan Companies Act, or an Executive Director, a Non-executive Director or an Independent Non-executive Director in accordance with the criteria under the Listing Rules

* for identification purpose only

DEFINITIONS

“Executive Director(s)”	the executive Director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Dollars” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company
“Issuing Mandate”	the general unconditional mandate proposed to be renewed and granted to the Board by the Shareholders relating to the issue, allotment and dealings of the Shares, as detailed in paragraph 4 of the Letter from the Board in this circular
“JGAAP”	Japanese Generally Accepted Accounting Principles
“Japan Companies Act”	the Companies Act* (会社法) of Japan (Act No. 86 of 2005), as amended, supplemented or otherwise modified from time to time
“Japanese Yen”, “¥” or “Yen”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	23 May 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Merrist”	Niraku Merrist Corporation* (株式会社ニラク・メリスト), a stock company* (株式会社) incorporated in Japan with limited liability on 24 February 2010 (registration number 3800-01-019392). Merrist is an indirectly wholly-owned subsidiary of the Company
“Mr. Taniguchi”	Mr. Hisanori TANIGUCHI (谷口久徳) (also known as Mr. JEONG Seonggi), a controlling Shareholder, an Executive Director, the Chief Executive Officer and the chairman of the Board
“Niraku Corporation”	Niraku Corporation* (株式会社ニラク) (formerly known as 二楽商事株式会社 from 27 August 1969 to 9 August 1998), a stock company* (株式会社) incorporated in Japan with limited liability on 27 August 1969 (registration number 3800-01-006170). Niraku Corporation is a directly wholly-owned subsidiary of the Company
“Non-executive Director(s)”	the non-executive Director(s) of the Company
“Relevant Period”	the period from the passing of these resolutions until whichever is the earliest of: <ul style="list-style-type: none">(a) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;(b) the expiration of the period within which the next annual general meeting of the Company is required to be held under any applicable Japan law or the Listing Articles; and(c) when varied, revoked or renewed by a resolution of the Shareholders in a general meeting.
“Repurchase Mandate”	the general unconditional mandate proposed to be renewed and granted to the Board by the Shareholders relating to the repurchase of the Shares, as detailed in paragraph 5 of the Letter from the Board in this circular

DEFINITIONS

“Rights Issue”	means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe the Shares, open for a period fixed by the Board, to holders of Shares whose names appear on the register of members of the Company (and where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangement as the Board may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or with regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)
“SAR(s)”	share acquisition right(s)* (新株予約権), which entitle the holder(s) to acquire share(s) in a company by exercising such rights against such company under the Japan Companies Act
“Securities and Futures Ordinance”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	common share(s)* (普通株式) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) and, for the purpose of this circular, excludes the CCASS Beneficial Owners
“Share Register”	the share register* (株主名簿) of the Company maintained by the Hong Kong Share Registrar in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	have the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Taniguchi Consortium”

Mr. Taniguchi and a group of (1) natural persons, namely Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴), Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung), Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順), Ms. Rika TEI (鄭理香) and Ms. Noriko KANESHIRO (金城徳子), each being a family member of Mr. Taniguchi; and (2) corporate entities, namely Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Echo Limited* (有限会社エコー), Daiki Limited* (有限会社大喜), Hokuyo Kanko Limited* (有限会社北陽観光) and KAWASHIMA Co., Ltd.* (株式会社 KAWASHIMA), each being an entity controlled by the family members of Mr. Taniguchi. Each member of the Taniguchi Consortium is an associate (as defined under the Listing Rules) of, and a person acting in concert (as defined under the Takeovers Code) with, Mr. Taniguchi and is a controlling Shareholder under the Listing Rules



株式会社ニラク・ジー・シー・ホールディングス

NIRAKU GC HOLDINGS, INC.*

(Incorporated Japan with limited liability)

(Stock Code: 1245)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at 2-1-24, Hohaccho, Koriyama-shi, Fukushima, 963-8811, Japan on Wednesday, 29 June 2016 at 10:00 a.m. for the following purposes:

- To report on the business report* (事業報告) and audited financial report (prepared in accordance with JGAAP) of the Company for the year ended 31 March 2016.
- To report on the non-consolidated financial statements (prepared in accordance with JGAAP) of the Company for the year ended 31 March 2016.
- To report on the audited financial statements (prepared in accordance with IFRS) of the Company and the reports of the Directors and the auditor for the year ended 31 March 2016.
- To consider, and if thought fit, pass the following resolutions as ordinary resolutions, with or without amendments:

ORDINARY RESOLUTIONS

1. To re-elect Mr. Hisanori TANIGUCHI (also known as Mr. JEONG Seonggi) as Executive Director.
2. To re-elect Mr. Hiroaki MORITA as an Independent Non-executive Director/ external Director* (社外取締役).
3. To re-elect Mr. Norio NAKAYAMA as an Independent Non-executive Director/external Director* (社外取締役).
4. To re-elect Mr. Masaharu TOGO as an Independent Non-executive Director/ external Director* (社外取締役).
5. To re-elect Mr. Hiroaki KUMAMOTO as an Independent Non-executive Director/external Director* (社外取締役).
6. To elect Mr. Hiroshi BANNAI as a Non-executive Director.

* for identification purpose only

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7. To elect Mr. Michio MINAKATA as an Independent Non-executive Director/ external Director* (社外取締役).
8. To elect Mr. Yoshihiro KOIZUMI as an Independent Non-executive Director/ external Director* (社外取締役).
9. To re-appoint PricewaterhouseCoopers Aarata as the accounting auditor of the Company pursuant to the Japan Companies Act.
10. To re-appoint PricewaterhouseCoopers as the auditor of the Company pursuant to the Listing Rules.

11A. THAT:

- (a) subject to paragraph (c) below and the requirements under the Articles, the Listing Rules and all applicable laws and regulations in Hong Kong and Japan, the Issuing Mandate, which is a general unconditional mandate be and is hereby given to the Board during the Relevant Period to exercise all the powers of the Company to allot, issue and deal with any Shares which would or might require the exercise of such power;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers or agreements which would or might require the Shares to be allotted and issued during the Relevant Period;
- (c) the aggregate number of the Shares allotted or issued or agreed conditionally or unconditionally to be allotted and issued by the Board pursuant to the approval in paragraph (a) above, other than pursuant to (i) a Rights Issue; or (ii) any specific authority granted by the Shareholders in general meeting(s), shall not exceed 20 percent of the total number of Shares issued by the Company as at the date of passing of this Resolution; and
- (d) the allottees under the Issuing Mandate shall pay a minimal per Share subscription price of no less than 90% of the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange prior to the issue and allotments of Shares thereunder.

11B. THAT:

- (a) subject to paragraph (b) below, the Repurchase Mandate, which is a general unconditional mandate be and is hereby given to the Board authorising it to exercise during the Relevant Period all powers for and on behalf of the Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may

NOTICE OF ANNUAL GENERAL MEETING

be listed and is recognised by the SFC or the Stock Exchange for this purpose, subject to and in accordance with the Articles, all applicable laws and regulations in Hong Kong and Japan, and the requirements of the Listing Rules and any other stock exchange on which the securities of the Company may be listed, as amended from time to time, be and is hereby unconditionally approved; and

- (b) the aggregate number of the Shares that could be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period (as hereinafter defined) shall not exceed 10 percent of the total number of Shares issued by the Company as at the date of passing of this Resolution, and the authority granted pursuant to paragraph (a) above shall be limited accordingly.

11C. **THAT:**

conditional upon Resolutions 11A and 11B above being passed, during the Relevant Period the general mandate granted to the Board for the time being in force to exercise the powers of the Company to allot, issue and deal in any unissued Shares pursuant to Resolution 11A above be and is hereby extended by the addition of the aggregate number of Shares repurchased by the Company under the authority granted pursuant to Resolution 11B above to the aggregate number of the Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Board under such general mandate.

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

Fukushima, Japan, 30 May 2016

NOTICE OF ANNUAL GENERAL MEETING

As at the date of this notice, the Directors are as follows:

<i>Executive Director:</i>	Mr. Hisanori TANIGUCHI (also known as JEONG Seonggi) (Chairman)
<i>Independent Non-executive Directors:</i>	Mr. Hiroaki MORITA Mr. Norio NAKAYAMA Mr. Masaharu TOGO Mr. Hiroaki KUMAMOTO
<i>Headquarters in Japan and registered office:</i>	1-1-39, Hohaccho Koriyama-shi Fukushima, Japan 963-8811
<i>Principal place of business in Hong Kong:</i>	Room 505, 5th Floor Hutchison House 10 Harcourt Road Hong Kong

Notes:

1. **Attendance in person**

Shareholders who intend to attend the Annual General Meeting in person must bring along an acceptable identification document such as passport, Hong Kong identity card or driver's license. Their signatures will also be verified against the specimen signatures kept by the Hong Kong Share Registrar.

Appointing a proxy

Every Shareholder who is entitled to attend and vote in the Annual General Meeting may appoint another person as his/her proxy to attend and vote on his/her behalf. Corporate Shareholders may appoint corporate representatives to attend or vote on its behalf. A Shareholder (including nominee companies) who is the holder of two or more Shares may appoint multiple proxies or corporate representatives to represent him/her and vote on his/her behalf in the Annual General Meeting. A proxy or corporate representative needs not to be a Shareholder and there is no limitation or restriction over the qualification and identity of the proxies and/or corporate representatives appointed. A proxy or corporate representative is entitled to the same powers as if he/she was the Shareholder himself/herself providing that he/she can provide a duly signed form of proxy.

To be valid, the accompanying form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power or authority), must be completed in accordance with the instructions printed thereon and returned to the Company's Hong Kong Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy will not preclude a Shareholder from attending the Annual General Meeting and voting in person if he/she so wishes.

Shareholders may also appoint the Chairman of the Annual General Meeting as their proxy. To do so, follow the instructions printed on the accompanying form of proxy.

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2. Where there are joint holders of any share, any one of such persons may vote at the Annual General Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Annual General Meeting personally or by proxy, that one of the said persons so present whose name stands first on the Share Register in respect of such share will alone be entitled to vote in respect thereof.
3. All resolutions at the Annual General Meeting will be decided by poll.
4. The right to attend and vote at the Annual General Meeting will be granted to the Shareholders whose names appear on the Share Register on Wednesday, 22 June 2016. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed, duly stamped and executed transfer documents accompanied by the relevant share certificates should be lodged with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. (Hong Kong time) on Wednesday, 22 June 2016.
5. CCASS Beneficial Owners who hold pecuniary interests and voting rights in the Company with respect to the Shares deposited into CCASS and registered in the name of HKSCC Nominees are not recognised as Shareholders under the Japan Companies Act. HKSCC Nominees will exercise the entitled voting rights of the CCASS Beneficial Owners in accordance with the individual arrangements between HKSCC Nominees and the CCASS Beneficial Owners or their respective brokers and the operational rules of CCASS.
6. A Shareholder who holds the Shares as a nominee on behalf of others may elect to cast his/her votes in different ways, casting his/her votes partly for and partly against a resolution by completing a notification form in accordance with the instructions printed thereon. Such notification form is available on the Company's website at www.ngch.co.jp and the Stock Exchange's website at www.hkexnews.com and must be returned to the Company's Hong Kong Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 72 hours before the time appointed for holding the Annual General Meeting. Shareholders have the option to make a permanent election to cast their votes in different ways at all forthcoming general meetings, which may be withdrawn in by writing to the Hong Kong Share Registrar.



株式会社ニラク・ジー・シー・ホールディングス

NIRAKU GC HOLDINGS, INC.*

(Incorporated Japan with limited liability)

(Stock Code: 1245)

Executive Director:

Mr. Hisanori TANIGUCHI

(also known as JEONG Seonggi) *(Chairman)*

Independent Non-executive Directors:

Mr. Hiroaki MORITA

Mr. Norio NAKAYAMA

Mr. Masaharu TOGO

Mr. Hiroaki KUMAMOTO

*Headquarters in Japan and
registered office*

1-1-39, Hohaccho

Koriyama-shi

Fukushima, Japan 963-8811

*Principal place of business
in Hong Kong:*

Room 505, 5th Floor

Hutchison House

10 Harcourt Road

Hong Kong

30 May 2016

To the Shareholders

Dear Sir or Madam,

ANNUAL GENERAL MEETING

1. INTRODUCTION

The purpose of this circular is to (i) provide you with information in respect of the resolutions to be proposed at the Annual General Meeting relating to, amongst others, the proposed renewal of the Issuing Mandate and the Repurchase Mandate and the re-election of Directors; and (ii) give you the notice of the Annual General Meeting.

2. BUSINESS REPORT* (事業報告) AND AUDITED FINANCIAL REPORT

The business report* (事業報告) and audited financial report (prepared in accordance with JGAAP) of the Company for the year ended 31 March 2016, which have been prepared pursuant to the Japan Companies Act, are set out in Appendix III and IV to this circular. The audited financial report (prepared in accordance with JGAAP) has been reviewed by the audit committee of the Company.

* for identification purpose only

LETTER FROM THE BOARD

3. THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND THE REPORTS OF THE DIRECTORS AND THE AUDITOR

The annual report 2016 incorporating the audited consolidated financial statements of the Company and the reports of the Directors and the auditor for the year ended 31 March 2016 have been sent together with this circular to the Shareholders. The audited consolidated financial statements have been reviewed by the audit committee of the Company.

4. ISSUING MANDATE

In order to ensure flexibility and give discretion to the Directors, in the event that it becomes desirable for the Company to issue any new Shares, a resolution to renew the Issuing Mandate to the Board to allot, issue and deal with additional Shares not exceeding 20% of the number of issued Shares as at the date of passing of the relevant resolution will be proposed at the Annual General Meeting.

As at the Latest Practicable Date, the total number of issued Shares was 1,195,850,460 Shares. If there is no allotment or repurchase of Shares between the Latest Practicable Date and the date of the Annual General Meeting, the Issuing Mandate shall not exceed 239,170,092 Shares.

Under the Articles and the Japan Companies Act, the Issuing Mandate is only enforceable when:

- (i) the total number of issued Shares will not exceed 2,000,000,000 Shares, which are the total number of Shares authorised to be issued by the Company, as a result of the issue and allotment made under the Issuing Mandate; and
- (ii) the allotments under the Issuing Mandate are not made at a price or term *especially favourable* to the allottees, in which case a special resolution in a general meeting is required.

For the avoidance of doubt, the Issuing Mandate grants power to the Board to issue, allot and deal with Shares only and does not grant authority to issue SARs and dispose of treasury stock* (自己株式). The Directors have undertaken to the Stock Exchange that they will not exercise the Issuing Mandate if any of conditions (i) to (ii) set out above has not been fulfilled, in which case they will seek specific approval from the Shareholders in order to issue and allot new Shares.

As to the term “*especially favourable*” referred to in (ii) above, the Directors have been advised that there is no clear definition under Japan law as to the circumstances where the terms of an allotment may be deemed as *especially favourable* to the proposed allottees. Under the internal rules of The Japan Securities Dealers Association, an allotment may be taken as *especially favourable* to the proposed allottees when less than 90% of the market value of the Shares so allotted is set as consideration from the proposed allottees. The Board may from time to time appoint an independent expert to determine whether an allotment is *especially favourable*.

5. REPURCHASE MANDATE

A resolution will be proposed at the Annual General Meeting to approve the renewal of the Repurchase Mandate to the Board to exercise the powers of the Company to repurchase Shares representing up to 10% of the number of issued Shares as at the date of passing of the relevant resolution in relation to the Repurchase Mandate. The Repurchase Mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in Resolution 11B of the notice of the Annual General Meeting.

An explanatory statement required under the Listing Rules to be sent to the Shareholders in connection with the proposed Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

Under the Articles and the Japan Companies Act, repurchases under the Repurchase Mandate must be market transactions etc.* (市場取引等) as defined under the Japan Companies Act. There is no judicial precedent or interpretation confirming that a repurchase through the Stock Exchange, which is not a securities exchange in Japan, is a market transaction etc.* (市場取引等). Given the lack of judicial precedent, the Directors have undertaken to the Stock Exchange that they will not exercise the Repurchase Mandate to repurchase the Shares on the Stock Exchange unless there is clear judicial authority allowing the Company to make repurchases on the Stock Exchange thereunder.

6. EXTENSION OF THE GENERAL MANDATE

A resolution will be proposed at the Annual General Meeting that any Shares of the Company repurchased under the Repurchase Mandate (up to a maximum of 10% of the number of issued Shares as at the date of passing of the relevant resolution) will be added to the total number of Shares which may be allotted and issued under the Issuing Mandate.

7. RE-ELECTION AND ELECTION OF DIRECTORS

Under the Articles and the Japan Companies Act, the term of office of all Directors will expire at the conclusion of the Annual General Meeting. A separate resolution will be proposed at the Annual General Meeting for the re-election or election (as the case may be) of each of Mr. Hisanori TANIGUCHI (also known as Mr. JEONG Seonggi), Mr. Hiroshi BANNAI, Mr. Hiroaki MORITA, Mr. Norio NAKAYAMA, Mr. Masaharu TOGO, Mr. Hiroaki KUMAMOTO, Mr. Michio MINAKATA and Mr. Yoshihiro KOIZUMI as Directors under the recommendation of the nomination committee of the Company.

Details of the above Directors who are subject to re-election and election at the Annual General Meeting are set out in Appendix II to this circular in accordance with the relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

8. RE-APPOINTMENT OF ACCOUNTING AUDITOR

The Board (which agreed with the recommendation of the audit committee of the Company) recommended that, subject to the approval of the Shareholders at the Annual General Meeting, PricewaterhouseCoopers Aarata be re-appointed as the accounting auditors of the Company for the year ending 31 March 2017 pursuant to the requirements under the Japan Companies Act.

9. RE-APPOINTMENT OF AUDITOR

The Board (which agreed with the recommendation of the audit committee of the Company) recommended that, subject to the approval of the Shareholders at the Annual General Meeting, PricewaterhouseCoopers be re-appointed as the auditor of the Company for the year ending 31 March 2017 pursuant to the requirements under the Listing Rules.

10. VOTING BY POLL

All the resolutions set out in the notice of the Annual General Meeting would be decided by poll in accordance with the Listing Rules and the Articles. The chairman of the Annual General Meeting would explain the detailed procedures for conducting a poll at the commencement of the Annual General Meeting.

The poll results will be published on the Company's website at www.ngch.co.jp and the Stock Exchange's website at www.hkexnews.hk after the conclusion of the Annual General Meeting.

11. ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting together with a form of proxy for use at the Annual General Meeting are enclosed with this circular. Shareholders who are unable to attend the Annual General Meeting in person should complete and return the accompanying form of proxy in accordance with the instructions printed thereon and set out on pages 9 to 10 of this circular.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, (i) no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM; and (ii) as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third part, either generally or on a case-by-case basis.

LETTER FROM THE BOARD

12. RECOMMENDATION

The Directors believe that the proposed grant of the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions set out in the notice of the Annual General Meeting.

13. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

On behalf of the Board of
株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC HOLDINGS, INC.*

Hisanori TANIGUCHI

(also known as JEONG Seonggi)

Chairman, Executive Director and Chief Executive Officer

The following is the explanatory statement required to be sent to the Shareholders under Listing Rules to enable them to make an informed decision on whether to vote for or against the resolution in relation to the Repurchase Mandate to be proposed at the Annual General Meeting.

1. APPROVAL

All repurchases of Shares by the Company (whether on or outside of the Stock Exchange) must be approved in advance by a resolution of the Company either by way of a general mandate or by a specific approval to the Board.

2. SHARE REPURCHASE PROPOSAL

Exercise in full of the Repurchase Mandate, on the basis of 1,195,850,460 Shares issued by the Company as at the Latest Practicable Date, would result in up to 119,585,046 Shares being repurchased by the Company during the period up to the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of Japan to be held; and (iii) the revocation or variation or renewal of the Repurchase Mandate by a resolution of the Shareholders in a general meeting of the Company, subject to the passing of the Repurchase Mandate resolution and on the basis that no further Shares are issued prior to the Annual General Meeting and ignoring other restrictions.

Under the Listing Rules, Shares proposed to be repurchased by the Company must be fully paid up. The total number of Shares which the Company is authorised to repurchase is Shares representing up to a maximum of 10% of the total number of issued Shares as at the date of passing of the Repurchase Mandate. The Company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase of Shares, whether on the Stock Exchange or otherwise (other than an issue of Shares pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue Shares which were outstanding prior to such repurchase), without the prior approval of the Stock Exchange. In addition, the Company shall not repurchase the Shares if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange. The Listing Rules also prohibit the Company from making repurchases of its own Shares on the Stock Exchange if the repurchase would result in the number of the Company's listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage for the Company as required by the Stock Exchange, which is currently 25%.

The Listing Rules further prohibit the Company from purchasing its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

The Company shall procure that any broker appointed by it to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

3. REASON FOR REPURCHASE

The Directors believe that it is in the best interests of the Company and the Shareholders for the Board to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Board believes that such repurchases will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share.

4. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of the Company and the applicable laws of Japan. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Articles and the applicable laws in Japan.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position as at 31 March 2016, being the date of its latest published audited financial statements. However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. DIRECTORS' UNDERTAKING

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

The Board has undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Japan and the Articles.

6. CORE CONNECTED PERSONS

The Listing Rules prohibit the Company from knowingly repurchasing its Shares on the Stock Exchange from a core connected person (as defined under the Listing Rules), that is, a Director, chief executive or substantial Shareholder of the Company or any of its subsidiaries or their respective close associates (as defined in the Listing Rules), and a core connected person (as defined under the Listing Rules) shall not knowingly sell Shares to the Company on the Stock Exchange.

APPENDIX I EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

Each member of the Taniguchi Consortium, each being a controlling Shareholder (as defined under the Listing Rules) of the Company has undertaken not to dispose of their respective interests in the Company over six months immediately following the completion of the global offering and listing of the Shares on 8 April 2015.

Save as disclosed herein, no core connected person (as defined in the Listing Rules) of the Company has notified the Company that he or she or it has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

7. TAKEOVERS CODE

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of the Shares on the Stock Exchange.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by, the Directors, the following persons were interested in 5% or more of the then issued share capital of the Company:

	Capacity/Nature of interest	Total	Approximate % of shareholding	Approximate % of shareholding after fully exercise the Repurchase Mandate
Hisanori TANIGUCHI (谷口久徳) (also known as JEONG Seonggi)	Beneficial owner; interest of the controlled corporation ⁽¹⁾	224,480,460 common Shares	18.77%	20.86%
Tatsuo TANIGUCHI (谷口龍雄)	Beneficial owner; interest of controlled corporation; custodian ⁽²⁾	223,790,000 common Shares	18.71%	20.79%
Masataka TANIGUCHI (谷口晶貴)	Beneficial owner; interest of controlled corporation; custodian ⁽³⁾	151,570,000 common Shares	12.67%	14.08%
Yoshihiro TEI (鄭義弘) (also known as JEONG Jungwung)	Beneficial owner; interest of controlled corporation; custodian ⁽⁴⁾	98,440,000 common Shares	8.23%	9.15%

APPENDIX I	EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE
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	Capacity/Nature of interest	Total	Approximate % of shareholding	Approximate % of shareholding after fully exercise the Repurchase Mandate
Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友 フィナンシャルグル ープ)	Interest of controlled corporation ⁽⁵⁾	229,137,500 common Shares	19.16%	21.29%
Sumitomo Mitsui Banking Corporation* (株式会社三井住友 銀行)	Interest of controlled corporation ⁽⁵⁾	229,137,500 common Shares	19.16%	21.29%
SMBC Trust Bank Ltd.* (株式会社SMBC信託 銀行)	Trustee ^{(2), (3), (4), (5)}	229,137,500 common Shares	19.16%	21.29%
Niraku Employee Stock Ownership Association* (ニラク 従業員持株会)	Custodian ⁽⁶⁾	61,870,000 common Shares	5.17%	5.75%
Choi Jung Ae	Interest of a spouse ⁽⁷⁾	224,480,460 common Shares	18.77%	20.86%
Hideko TANIGUCHI (谷口秀子)	Interest of a spouse ⁽⁸⁾	223,790,000 common Shares	18.71%	20.79%
Eiko TANIGUCHI (谷口栄子)	Interest of a spouse ⁽⁹⁾	151,570,000 common Shares	12.67%	14.08%
JEONG Kyeonghae	Interest of a spouse ⁽¹⁰⁾	98,440,000 common Shares	8.23%	9.15%
Jeong Bak Soo	Interest of a child ⁽¹¹⁾	224,480,460 common Shares	18.77%	20.86%
Jeong Soo Hun	Interest of a child ⁽¹¹⁾	224,480,460 common Shares	18.77%	20.86%
Jeong Yoo Ryoung	Interest of a child ⁽¹¹⁾	224,480,460 common Shares	18.77%	20.86%
Jeong Yu Ri	Interest of a child ⁽¹¹⁾	224,480,460 common Shares	18.77%	20.86%

APPENDIX I EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

	Capacity/Nature of interest	Total	Approximate % of shareholding	Approximate % of shareholding after fully exercise the Repurchase Mandate
JEONG Jangyeong (also known as Masahide TEI (鄭將英))	Interest of a child ⁽¹²⁾	98,440,000 common Shares	8.23%	9.15%
JEONG Kyeongheon (also known as Akinori TEI (鄭敬憲))	Interest of a child ⁽¹²⁾	98,440,000 common Shares	8.23%	9.15%
Okada Holdings Limited	Beneficial owner ⁽¹³⁾	80,500,000 common Shares	6.73%	7.48%
Universal Entertainment Corporation	Beneficial owner ⁽¹³⁾	80,500,000 common Shares	6.73%	7.48%
Tiger Resort Asia Limited	Beneficial owner ⁽¹³⁾	80,500,000 common Shares	6.73%	7.48%
Mars Engineering Corporation	Beneficial owner	71,104,000 common Shares	5.95%	6.61%

Notes:

- (1) The interests held by Mr. Hisanori TANIGUCHI (谷口久徳) (also known as Mr. JEONG Seonggi) shown above include the 212,980,460 Shares held in his own name for his own benefit and the 11,500,000 Shares held by Densho Limited* (有限会社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by him.
- (2) The interests held by Mr. Tatsuo TANIGUCHI (谷口龍雄) shown above include: (i) 161,690,000 Shares held in his own name for his own benefit, (ii) 19,320,000 Shares held by Jukki Limited* (有限會社十起), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄); (iii) 1,380,000 Shares held by KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA), a company collectively wholly-owned by our Chairman, Mr. Tatsuo TANIGUCHI (谷口龍雄) and Mr. Masataka TANIGUCHI (谷口晶貴), the voting rights of which are exercisable by Mr. Tatsuo TANIGUCHI (谷口龍雄); and (iv) 41,400,000 Shares held by the TT Family Trust for the benefit of his children, namely Ms. Yoshika TEI (鄭淑佳) (also known as Ms. JEONG Sukka), Mr. Kousei TEI (鄭光誠) (also known as Mr. CHONG Gangsong) and Mr. Kiyokazu TANIGUCHI (谷口清和). SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) is the trustee and assignee* (受託者) of the TT Family Trust and Mr. Tatsuo TANIGUCHI (谷口龍雄) is entitled to exercise the voting rights attached to the Shares under the TT Family Trust. The interests under the TT Family Trust are equally distributed among the three beneficiaries under the TT Family Trust.
- (3) The interests held by Mr. Masataka TANIGUCHI (谷口晶貴) shown above include: (i) 11,442,500 Shares held in his own name for his own benefit; (ii) 5,750,000 Shares held by Hokuyo Kanko Limited* (有限会社北陽観光), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Masataka TANIGUCHI (谷口晶貴); and (iii) 134,377,500 Shares held by the MT Family Trust for the benefit of his children, namely Mr. Tatsunari TANIGUCHI (谷口

APPENDIX I EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

辰成) (also known as Mr. CHONG Jinsong), Mr. Takanari TANIGUCHI (谷口喆成) (also known as Mr. JEONG Cheolseong) and Mr. Toshinari TANIGUCHI (谷口才成) (also known as Mr. CHUNG Jaeseong). SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) is the trustee and assignee* (受託者) of the MT Family Trust and Mr. Masataka TANIGUCHI (谷口晶貴) is entitled to exercise the voting rights attached to the Shares under the MT Family Trust. The interests under the MT Family Trust are equally distributed among the three beneficiaries under the MT Family Trust.

- (4) The interests held by Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung) shown above include: (i) 33,580,000 Shares held in his own name for his own benefit; (ii) 11,500,000 Shares held by Daiki Limited* (有限会社大喜), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung); and (iii) 53,360,000 Shares held by the YT Family Trust for the benefit of his children, namely Mr. Akinori TEI (鄭敬憲) (also known as Mr. JEONG Kyeongheon) and Mr. Masahide TEI (鄭將英) (also known as Mr. JEONG Jangyeong). SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) is the trustee and assignee* (受託者) of the YT Family Trust and Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung) is entitled to exercise the voting rights attached to the Shares under the YT Family Trust. The interests under the YT Family Trust are equally distributed among the two beneficiaries under the YT Family Trust.
- (5) Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友フィナンシャルグループ) holds Sumitomo Mitsui Banking Corporation* (株式会社三井住友銀行), which in turn holds SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行). Accordingly, each of Sumitomo Mitsui Banking Corporation* (株式会社三井住友銀行) and Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友フィナンシャルグループ) is deemed to be interested in such 229,137,500 Shares held by SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行).
- (6) Niraku Employee Stock Ownership Association* (ニラク従業員持株会) (the "ESOA") is the registered owner of 61,870,000 Shares held for the benefit of the members of the ESOA, who are current employees of our Group. The voting rights attached to the Shares held by the ESOA are exercisable by its president* (理事長), currently Mr. Takashi ENDO (遠藤孝), who is not a core connected person of our Company.
- (7) Ms. Choi Jung Ae is the spouse of our Chairman and is therefore deemed to be interested in the Shares that our Chairman is interested in under the SFO.
- (8) Mrs. Hideko TANIGUCHI (谷口秀子) is the spouse of Mr. Tatsuo TANIGUCHI (谷口龍雄) and is therefore deemed to be interested in the Shares that Mr. Tatsuo TANIGUCHI (谷口龍雄) is interested in under the SFO.
- (9) Mrs. Eiko TANIGUCHI (谷口栄子) is the spouse of Mr. Masataka TANIGUCHI (谷口晶貴) and is therefore deemed to be interested in the Shares that Mr. Masataka TANIGUCHI (谷口晶貴) is interested in under the SFO.
- (10) Ms. Jeong Kyeonghae is the spouse of Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung) and is therefore deemed to be interested in the Shares that Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung) is interested in under the SFO.
- (11) Jeong Bak Soo, Jeong Soo Hun, Jeong Yoo Ryoung and Jeong Yu Ri are the children of our Chairman under the age of 18 and are therefore deemed to be interested in the Shares that our Chairman is interested in under the SFO.
- (12) Ms. JEONG Jangyeong (also known as Ms. Masahide TEI (鄭將英)) and Mr. JEONG Kyeongheon (also known as Mr. Akinori TEI (鄭敬憲)) are the children of Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung) under the age of 18 and are therefore deemed to be interested in the Shares that Mr. Yoshihiro TEI (鄭義弘) (also known as Mr. JEONG Jungwung) is interested in under the SFO. In addition, they are the beneficiaries under the YT Family Trust.

- (13) Okada Holdings Limited indirectly holds 74.21% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of the Universal Entertainment Corporation and Okada Holdings Limited is deemed to be interested in such 80,500,000 Shares held by Tiger Resort Asia Limited.
- (14) All interests stated are long positions.
- (15) There were 1,195,850,460 Shares in issue as at date of this circular.

In the event that the Directors shall exercise in full the Repurchase Mandate, the total interests of the above substantial Shareholders would be increased to approximately the respective percentages shown in the last column above (assuming that the number of Shares then held by each of such Shareholders and the then number of total Shares then in issue remain the same), and such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no intention to exercise the Repurchase Mandate to an extent as would result in takeover obligations.

Save as aforesaid, the Directors are not aware of any other consequences which may arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate immediately after the listing of the Shares.

8. MINIMUM PUBLIC FLOAT

Assuming that there is no issue of Shares between the Latest Practicable Date and the date of a repurchase, an exercise of the Repurchase Mandate whether in whole or in part will not result in less than the relevant prescribed minimum percentage of the Shares being held by the public as required by the Stock Exchange. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed minimum percentage.

9. SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares has been made by the Company in the six months prior to the date of this circular (whether on the Stock Exchange or otherwise).

10. MARKET PRICE

During the 12 months preceding the Latest Practicable Date, the highest and lowest prices at which the Shares were traded on the Stock Exchange are as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
May 2015	1.57	1.26
June 2015	1.49	1.17
July 2015	1.25	0.79
August 2015	1.19	0.91
September 2015	1.10	0.92
October 2015	1.00	0.80
November 2015	0.94	0.75
December 2015	0.79	0.70
January 2016	0.79	0.46
February 2016	0.74	0.465
March 2016	0.77	0.60
April 2016	0.88	0.70
May 2016 (up to the Latest Practicable Date)	0.89	0.71

11. JAPAN LAW IMPLICATION

Shareholders should note that based on the provisions under the Articles and relevant Japan laws repurchases under the Repurchase Mandate must be market transactions etc.* (市場取引等) as defined under the Companies Act* (会社法) of Japan (Act No. 86 of 2005). There is no judicial precedent or interpretation confirming that a repurchase through the Stock Exchange, which is not a securities exchange in Japan, is a market transaction etc.* (市場取引等). Given the lack of judicial precedent, the Directors have undertaken to the Stock Exchange that they will not exercise the Repurchase Mandate to repurchase the Shares on the Stock Exchange unless there is clear judicial authority allowing us to make repurchases on the Stock Exchange thereunder.

12. GENERAL

The Listing Rules provide that the listing of all repurchased Shares (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon repurchase and the certificates of such repurchased Shares must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. Under the Articles, the Company shall without delay cancel any treasury Shares acquired by the Company through the resolution of the Board or decision of its executive officer(s)* (執行役) authorised by the board of Directors, if such cancellation is required under the Listing Rules. Hence, in compliance with Rule 10.06(5) of the Listing Rules, the listing of all repurchased Shares (whether effected on the Stock Exchange or otherwise) will be

cancelled without undue delay and the certificates for those securities will be cancelled and destroyed. The total number of Shares issued by the Company shall also be reduced accordingly.

The Listing Rules provide that the Company shall not purchase its Shares on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for an announcement of the Company's annual or interim results under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the Company may not purchase its Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit the Company to purchase its Shares on the Stock Exchange if it has breached the Listing Rules.

Under the Listing Rules, certain information on the repurchases of Shares (whether on the Stock Exchange or otherwise) must be submitted for publication on the Stock Exchange through HKEx-EPS (as defined in the Listing Rules) not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the Company makes a repurchase of Shares. In addition, the Company shall include in its annual report and accounts details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per Share or the highest and lowest price paid by the Company for all such repurchases (where relevant) and the aggregate price paid by the Company for such repurchases. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

Rule 10.06(1)(b)(x) of the Listing Rules is not applicable.

* *for identification purpose only*

The following are the particulars of the Directors (as required by the Listing Rules) proposed to be re-elected and elected at the Annual General Meeting.

Mr. Hisanori TANIGUCHI (谷口久徳) (also known as Mr. JEONG Seonggi)

Mr. Taniguchi, aged 53, is the primary leadership figure of the Group. He was appointed as the Representative Director and President* (代表取締役社長) of the Company on 10 January 2013, the date of incorporation of the Company, and was re-designated as a Director and Chief Executive Officer on 25 June 2014 when the Shareholders resolved to convert the Company into a company with three committees* (委員会設置会社) under the Japan Companies Act. Apart from his role as an Executive Director and Chief Executive Officer, Mr. Taniguchi was appointed as the chairman of the Board in February 2013 and is responsible for the Group's overall corporate strategies, management and business development. He is also a member of the nomination committee and remuneration committee of the Company.

Having joined Niraku Corporation in April 1983, Mr. Taniguchi has spent over 32 years in the Group and worked closely with generations of the Taniguchi family in building up the Group from a small-scale operation to the fourth largest pachinko hall operator in Japan in 2013 (based on gross pay-ins), according to Entertainment Business Institute. Between 1987 and 2002, Mr. Taniguchi headed a number of departments across the Group's operations, from human resources to hall development and sales, and acquired extensive knowledge in a wide array of aspects in pachinko and pachislot hall operations.

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

Mr. Taniguchi spent substantially his entire career with the Group and has led the Group in achieving significant milestones through several economic cycles. He was instrumental in the implementation of the Group's centralised management strategy since 1999 and the gradual introduction of low-cost pachinko and pachislot machines in the Group's halls since 2007. Under his leadership, the Group opened its 50th pachinko hall in Koriyama Arai (郡山荒井), Fukushima Prefecture (福島県) in May 2011 and have continued to grow organically beyond this significant accomplishment.

The Directors that the success of the Group and his personal attributes earned Mr. Taniguchi wide recognition as a leading figure in the pachinko industry in Japan. He is currently the vice president* (副理事長) of Nihon Yugi-kanren Jigyo Kyokai* (Japan Amusement Business Association*) (一般社団法人 日本遊技関連事業協会) and the head of its Tohoku branch. He is also a director* (理事) of Pachinko Trusty Board* (一般社団法人パチンコ・トラスティ・ボード), an organisation comprised of pachinko operators as well as third party professionals, such as lawyers, accountants and experts in business and corporate governance.

Mr. Taniguchi was born and brought up in Japan. He is one of the controlling Shareholders (as defined under the Listing Rules) of the Company and, together with other members of the Taniguchi Consortium with whom he acts in concert, controlled approximately 69.5% of the voting rights in the Company as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Taniguchi was interested in 224,480,460 Shares under Part XV of the Securities and Futures Ordinance, comprising (i) 212,980,460 Shares held in his own name for his own benefit; and (ii) 11,500,000 Shares held by Densho Limited* (有限会社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Taniguchi.

Mr. Hiroshi BANNAI (坂内弘)

Mr. Bannai, aged 77, has served as a police officer in Fukushima Prefecture from 1962 to his retirement from the police force in 1999, during which he was mainly responsible for handling matters related to antisocial organisations. Mr. Bannai then served as an executive director* (専務理事) for the Fukushima Prefecture Amusement Business Association* (福島県遊技業協同組合). Relying on his experience from the police force, Mr. Bannai has also been an advisor for Fukushima Bank* (福島銀行) from 2002 to 2009. Mr. Bannai is currently an advisor for Xebio Co., Ltd.* (株式会社ゼビオ).

Mr. Bannai received his education from the Fukushima Prefectural Wakamatsu Commercial High School (福島県立若松商業高等学校). Mr. Bannai was appointed to the Board to supervise the Group's compliance with applicable laws and regulations relating to adult entertainment.

If elected, Mr. Bannai will be designated as a Non-executive Director under the Listing Rules. Mr. Bannai has represented to the Company that he has not been involved in any of the events under Rule 13.51(2)(h) to (v) of the Listing Rules. As at the Latest Practicable Date, Mr. Bannai did not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in the securities of the Company.

Mr. Hiroaki MORITA (森田弘昭)

Mr. Morita, aged 79, is an external Director* (社外取締役) of the Company and has held this position since 25 June 2014. He was previously a statutory auditor* (監査役) of the Company between 10 January 2013, the date of incorporation of the Company, and 25 June 2014, when the Shareholders resolved to convert the Company into a company with three committees* (委員会設置会社) under the Japan Companies Act. Under the Listing Rules, Mr. Morita is an Independent Non-executive Director.

Mr. Morita has been a director of IPO Research Institute, Ltd.* (IPO総合研究所), a consulting firm that provides management and business advice to Japanese corporations looking to conduct initial public offerings and listings, since April 2000. In addition, Mr. Morita also worked for Nomura Securities Co., Ltd.* (野村證券株式会社) between April 1960 and June 1989 and served various positions in its underwriting and finance divisions. He has also been the representative director (代表取締役) of Morita Office* (株式会社森田
▪ 栗山事務所), which provides management consulting services, since August 1997. With his current and previous positions in these institutions in Japan and as a chartered

member of the Securities Analysts Association of Japan* (日本証券アナリスト協会) since August 1981, he has extensive experience in securities dealings, financial analysis, corporate governance and other aspects relating to listed companies in Japan.

Mr. Morita supervises the overall management and business operations of the Group. He is also the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company. The Directors have confirmed that Mr. Morita fulfils the independence requirements under Rule 3.13 of the Listing Rules.

Mr. Morita graduated from Nagasaki University* (長崎大学) with a bachelor's degree in economics in March 1960.

Mr. Norio NAKAYAMA (中山宣男)

Mr. Nakayama, aged 68, was appointed as an external Director* (社外取締役) of the Company on 25 June 2014, when the Shareholders resolved to convert the Company into a company with three committees* (委員会設置会社) under the Japan Companies Act. Under the Listing Rules, Mr. Nakayama is an Independent Non-executive Director.

Mr. Nakayama joined Kaneka Corporation* (株式会社カネカ), a listed company on both The Tokyo Stock Exchange (4118: JP) and Nagoya Stock Exchange (4118: JP) which is primarily engaged in the manufacturing of chemical products in Japan, in April 1969, and was its corporate auditor prior to his departure in May 2009. Through his positions within Kaneka Corporation* (株式会社カネカ), Mr. Nakayama acquired experiences in on-going compliance matters and corporate governance of a listed corporation in Japan. Until November 2006, Mr. Nakayama also served as an external corporate auditor for Asahi Homes Co. Ltd* (旭ホームズ株式会社). Mr. Nakayama was also a director of Fire Stove Japan Co., Ltd.* (株式会社ファイヤーストーブ ジャパン), a company primarily engaged in the sales of stoves and related accessories in Japan, between December 2010 and April 2015.

The primary duty of Mr. Nakayama within the Group is to supervise its overall management and business operations. He was also appointed as the chairman of the remuneration committee of the Company and a member of the Audit Committee of the Company. The Directors have confirmed that Mr. Nakayama fulfils the independence requirements under Rule 3.13 of the Listing Rules.

Mr. Nakayama obtained a bachelor's degree in commerce from Keio University* (慶応義塾大学) in March 1969.

Mr. Masaharu TOGO (東郷正春)

Mr. Togo, aged 68, has been an external Director* (社外取締役) of the Company since 25 June 2014, when the Shareholders resolved to convert the Company into a company with three committees* (委員会設置会社) under the Japan Companies Act. Under the Listing Rules, Mr. Togo is an Independent Non-executive Director.

In April 1973, Mr. Togo joined Sumitomo Corporation* (住友商事株式会社), one of the leading general trading conglomerates in Japan (the shares of which are listed on The Tokyo Stock Exchange (8053:JP), Osaka Securities Exchange Co., Ltd. (8053:JP), Nagoya Stock Exchange (8053:JP) and Fukuoka Stock Exchange (8053:JP)) and was a manager in charge of its stainless steel and magnesium production division until his departure in May 2006. Prior to that, Mr. Togo was a corporate auditor for Daiwa Kohtai Co., Ltd* (大和鋼帯株式会社) from June 2001 to June 2003.

Mr. Togo received a bachelor's degree in commerce from Keio University* (慶応義塾大学) in March 1973. He was appointed to the Board to supervise the overall management and business operations of the Group and is also a member of the Nomination Committee of the Company. The Directors have confirmed that Mr. Togo fulfils the independence requirements under Rule 3.13 of the Listing Rules.

Mr. Hiroaki KUMAMOTO (熊本浩明)

Mr. Kumamoto, aged 47, is an external Director* (社外取締役) of the Company and has held this position since 28 November 2014. Within the meanings of the Listing Rules, He is an Independent Non-executive Director of the Company.

Mr. Kumamoto spent over 15 years of his career both in the Japan and Hong Kong offices of PricewaterhouseCoopers, gaining experience in their audit, business development and consulting divisions. Between October 1997 and July 2004, Mr. Kumamoto was a senior audit associate at the Tokyo office of PricewaterhouseCoopers. He was subsequently seconded to PricewaterhouseCoopers' Hong Kong office as a manager of its Japan business development division and supported the local auditing teams in performing statutory audit in accordance with the accounting principles in Hong Kong and acquired the requisite knowledge in the financial reporting standards of Hong Kong. Upon his return to Japan, he was promoted to a senior manager of the consulting division and specialised in assisting Japanese companies, including listed companies, to prepare their financial statements under the IFRS.

Mr. Kumamoto left PricewaterhouseCoopers in December 2011 to set up his own business, Global Japan Consulting Limited, which provides business, financial and marketing consulting services. He is currently its chief executive officer* (代表執行役). Mr. Kumamoto received a bachelor's degree in economics from the University of Tokyo* (東京大学) in March 1993 and a master's degree in international business administration from the University of Tsukuba* (筑波大学) in July 2012. He qualified as a certified public accountant in Japan in May 2001. The Directors consider his unique experience and knowledge in JGAAP and IFRS made him a suitable candidate as an Independent Non-executive Director of the Company and a valuable addition to the Board. The Directors have confirmed that Mr. Kumamoto possesses the appropriate accounting or related financial management expertise required under Rule 3.10(2) and Rule 3.21 of the Listing Rules.

Mr. Kumamoto supervises the overall management and business operations of the Group. He is also the chairman of the audit committee of the Company. The Directors have confirmed that Mr. Kumamoto fulfils the independence requirements under Rule 3.13 of the Listing Rules.

Mr. Michio MINAKATA (南方美千雄)

Mr. Minakata, aged 49, started his career at KPMG Century Audit Corporation* (KPMGセンチュリー監査法人). Mr. Minakata then worked for several companies and offices including NASDAQ Japan* (ナスダックジャパン) based on his capability in the accounting field. Mr. Minakata is currently serving as the representative director* (代表取締役) of IPO Bank* (株式会社IPOバンク). Further, Mr. Minakata is currently also an advisor* (監査役) for Showcase TV Inc.* (株式会社ショーケース・ティービー), the shares of which are listed on the Market of the High-Growth and Emerging Stocks on The Tokyo Stock Exchange (3909:JP).

Mr. Minakata received a bachelor's degree in economics from the Keio University* (慶應義塾大学) in March 1990. Mr. Minakata has also been a member of the Japanese Institute of Certified Public Accountants since May 1996. Mr. Minakata was appointed to the Board to provide the Company advice based on his accounting and management background and expertise. The Directors have confirmed that Mr. Minakata fulfils the independence requirements under Rule 3.13 of the Listing Rules.

If elected, Mr. Minakata will be designated as an Independent Non-executive Director under the Listing Rules. Mr. Minakata has represented to the Company that he has not been involved in any of the events under Rule 13.51(2)(h) to (v) of the Listing Rules. As at the Latest Practicable Date, Mr. Minakata did not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in the securities of the Company.

Mr. Yoshihiro KOIZUMI (小泉義広)

Mr. Koizumi, aged 61, has worked for several leading Japanese and foreign companies over the years, including Toshiba Co., Ltd.* (株式会社東芝) from 1979 to 1986 and Daiwa Securities Co., Ltd.* (大和証券株式会社) from 1986 to 1992. Mr. Koizumi also has experience in working for banks and financial institutions, including Deutsche Bank* (ドイツ銀行) from 1994 to 1997 and Societe General Bank* (ソシエテジェネラル銀行) from 1997 to 2002. Thereafter, Mr. Koizumi also served as the representative director* (代表取締役) of Mariner Financial Service Co., Ltd.* (株式会社マリナー・フィナンシャル・サービス) from 2002 to 2015 and has been serving as the representative director* (代表取締役) of Clear Markets Japan Co., Ltd* (Clear Markets Japan株式会社) since 2014.

Mr. Koizumi graduated from the Department of Commerce Science at Keio University* (慶應義塾大学商学部). Mr. Koizumi has also obtained his qualification as a certified public accountant in the United States in 1991. Mr. Koizumi was appointed to the Board to provide the Company advice based on his financial and management background and expertise. The Directors have confirmed that Mr. Koizumi fulfils the independence requirements under Rule 3.13 of the Listing Rules.

If elected, Mr. Koizumi will be designated as an Independent Non-executive Director under the Listing Rules. Mr. Koizumi has represented to the Company that he has not been involved in any of the events under Rule 13.51(2)(h) to (v) of the Listing Rules. As at the Latest Practicable Date, Mr. Koizumi did not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in the securities of the Company.

TERM OF OFFICE AND FEES

Under the Articles and the Japan Companies Act, the Directors, upon re-election and election, will hold office until the close of the next annual general meeting of the Company.

The total amount of the re-elected Directors' emoluments for the year ended 31 March 2016 received by each of those Directors is set out in note 36 to the consolidated financial statements of the Company's annual report 2016. The Group offers competitive remuneration packages to the Directors, and the Director's emoluments are determined by the Company's remuneration committee with reference to Directors' duties, responsibilities and performances and the results of the Group.

SERVICE AGREEMENTS

Upon re-election and election, the Directors are expected to enter into a service agreement (for Executive Director and Non-executive Director) or letter of appointment (for Independent Non-executive Directors) with the Company for a term commencing on the date of passing of the re-election and election resolution and expiring at the close of the next annual general meeting of the Company (subject to termination in certain circumstances as stipulated in the agreement/letters).

The annual remuneration is currently expected to be payable to each of the Directors upon re-election and election is as follows:

Directors	Annual remuneration <i>(In ¥ thousand)</i>
Mr. Taniguchi	30,480
Mr. Bannai	3,600
Mr. Morita	3,600
Mr. Nakayama	3,600
Mr. Togo	3,600
Mr. Kumamoto	6,000
Mr. Minakata	3,600
Mr. Koizumi	3,600

DIRECTORS' INTERESTS

Save as disclosed in this circular, to the best knowledge of the Company, each of the Directors who stand for re-election and election (i) does not hold other positions in the Company or other members of the Group; (ii) does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three year and other major appointments and professional qualifications; (iii) does not have any relationship with any other Director, senior management, substantial Shareholder or controlling Shareholder of the Company; (iv) does not have any interest in the Company's securities within the meaning of Part XV of the Securities and Futures Ordinance; and (v) has no information to disclose pursuant to any of the requirements of Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and there are no other matters that need to be brought to the attention of the Shareholders.

The Company has received a confirmation from each of the Independent Non-executive Directors standing for re-election and election on his independence pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

The following is the texts of the business report (事業報告) of the Company for the year ended 31 March 2016 prepared pursuant to and in accordance with the requirements under the Japan Companies Act; and the financial information is prepared under JGAAP.*

1. MATTERS RELATED TO CURRENT SITUATION OF THE COMPANY

(1) Business Analysis

The environment of our pachinko business remains to look bleak in 2016. According to Entertainment Business Institute report released on 13 April 2016, the market scale for 2016 is forecast to decrease by 10% to 15% compared to the previous year; and the population of pachinko participants is estimated to plunge by 2% to 5% in 2016 as compared to 2015. As at 31 December 2015, the number of pachinko halls across Japan was 11,310, a decline of 317 stores compared to the previous year (National Police Agency statement).

During the year ended 31 March 2016, advocacy of pachinko machines meeting new standards with reduced gambling element was promoted, following the voluntary regulation of high gambling property machines across the pachinko industry, as high-gambling property machine is one of the factors in the decrease in the population of pachinko participants. Pachinko machines conforming these new standards are challenging to generate revenue like the high-gambling pachinko machines that have been our traditional revenue source, and the overall revenue is expected to decrease. With the new standards effecting from April 2016, the consumer reception to these pachinko machines will remain to be seen and unclear. On the whole, the rate of revenue growth is not expected to be seen despite the increased cost of replacing these machines. The outlook is expected to be a difficult year for pachinko hall operators.

With regard to the pachinko business, in April 2016 we opened the Taiheiji pachinko hall in Fukushima, which is the largest in Tohoku region with a total number of 1,280 machines. The Taiheiji pachinko hall is our 21st hall in Fukushima Prefecture, and we have every confidence it will contribute to establishing a solid position in this prefecture.

In addition, the Group aims to connect hospitality with people in the region through its ongoing pachinko business with the entertainment that comes from the concept of helping people have fun, and in doing so provide happy times to people in diverse segments worldwide not limiting to the pachinko business. To echo with this concept, on 19 May 2016, we entered into a sales and purchase agreement with Coastal Heritage Limited to acquire 66.7% of the shares of Nha Trang Holdings Limited (“Nha Trang”), a company owns and operates five Vietnamese restaurants under the brand “Nha Trang” and two under the brand “BEP”; as well as a Pinot Duck restaurant, all of them are situated in Hong Kong. We plan to expand these Vietnamese restaurants in Hong Kong and developing them overseas in the future.

Following is the financial highlight of the year:

- | | |
|------------------------|---|
| 1. Operating revenue | Operating revenue of ¥987,000 thousand being the dividend income received from the subsidiary (decreased by ¥1,417,400 thousand compared to prior year). |
| 2. Operating profit | Attributable from the decrease in outsourcing fee and other operating expenses, operating profit of ¥360,079 thousand was resulted (decreased by ¥987,301 thousand compared to prior year). |
| 3. Loss before tax | Due to the increase in non-operating expenses, loss before tax of ¥118,794 thousand was resulted (profit decreased by ¥1,390,391 thousand compared to prior year). |
| 4. Profit for the year | Profit for the year amounted to ¥172,144 thousand was due to the income tax credit incurred in current year (decreased by ¥1,373,711 thousand compared to prior year). |

Business performance of Niraku Corporation, the major subsidiary

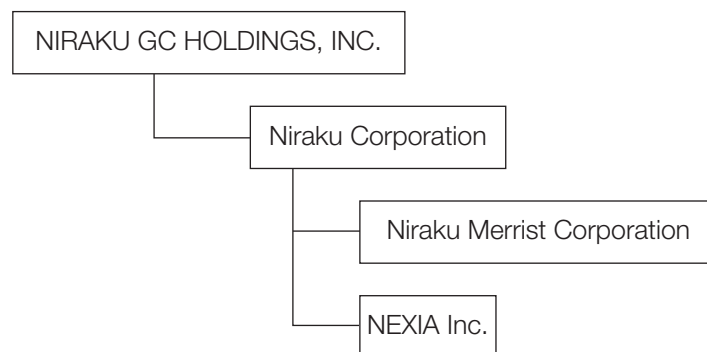
Pachinko Business

As at 31 March 2016, we operate 55 pachinko halls. In April 2015, we opened two new halls, Niraku Shibukawashiroi in Gunma prefecture and Kasama in Ibaragi prefecture. On the other hand, due to poor performance of Ootaumeyashiki and Nakanoshinbashi halls, we decided to close them in June 2015 and September 2015, respectively, to increase operating efficiency.

Despite increased revenue from the new halls and the higher machine utilisation rate, these additional revenues did not offset the decline in total revenue due to the drop of customers and lower revenue generated by higher rate of low playing cost machines. Hence our consolidated total revenue was plunged to ¥30,995 million, decrease of 5.8% as compared to prior year. Our investment in increasing the machine utilisation rate and the initial public offering expenses had further dampened our consolidated net profit to ¥181 million, a 94.0% drop as compared to prior year. The investment in low playing cost machines made in current year and other measures towards optimising the revenue margin were initiatives undertaken to counteract declining customers. These are measures to improve our operating results in the future and have been proven successful. Positive effects from these improvement measures is expected to reflect in operating results for the coming financial year.

Looking at the financial aspect, following the review of borrowing conditions of the entire Group in December 2015, our company based financing is transited to a group financing system from April 2016, and this will reduce repayments and interest burden across the Group as a whole.

Group Structure as at 31 March 2016



(2) Funding

Details of funding for the year ended 31 March 2016 are as follows:

Financial institutes	Amount	Execution date
	<i>(In ¥ thousand)</i>	
Sumitomo Mitsui Banking Corporation	1,449,000	30 December 2015
Mizuho Bank, Ltd.	1,748,000	30 December 2015
The Toho Bank, Ltd.	1,495,000	30 December 2015
The Ashikaga Bank, Ltd.	1,288,000	30 December 2015
The Aozora Bank, Ltd.	966,000	30 December 2015
The Fukushima Bank, Ltd.	690,000	30 December 2015
The Tokyo Tomin Bank, Ltd.	414,000	30 December 2015
The Akita Bank, Ltd.	299,000	30 December 2015
The 77 Bank, Ltd.	230,000	30 December 2015
The Daito Bank, Ltd.	230,000	30 December 2015
The Tsukuba Bank, Ltd.	207,000	30 December 2015
The Gunma Bank, Ltd.	184,000	30 December 2015
Total	<u>9,200,000</u>	

Note: The funding executed on 30 December 2015 is a syndicate loan of ¥9,200,000 thousands which one or some of the following banks are syndicator, Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., The Toho Bank, Ltd., The Ashikaga Bank, Ltd., The Aozora Bank, Ltd., The Fukushima Bank, Ltd., The Tokyo Tomin Bank, Ltd., The Akita Bank, Ltd., The 77 Bank, Ltd., The Daito Bank, Ltd., The Tsukuba Bank, Ltd., and The Gunma Bank, Ltd.

Further, in connection with the Hong Kong Public Offering on 8 April 2015, the Group issued 300,000 thousand common shares (at a price of HK\$1.18 per share with the gross proceeds of HK\$354 million).

(3) Financial position and Profit and Loss for the latest 4 fiscal years

Item	1st Term March 2013	2nd Term March 2014	3rd Term March 2015	4th Term (the current fiscal year) March 2016
Operating revenue (¥ thousand)	–	633,800	2,404,400	987,000
Ordinary profit or (loss) (¥ thousand)	(11,507)	536,050	1,271,597	(118,794)
Profit or (loss) for the year (¥ thousand)	(11,609)	526,978	1,545,855	172,144
Profit or (loss) per share (Yen)	(5,534,559.00)	135.30	1.73	0.14
Total Assets (¥ thousand)	3,595,711	20,257,293	20,452,474	31,266,615
Net (Liabilities) Assets (¥ thousand)	(11,062)	17,035,968	17,316,096	22,066,184

Notes:

- The amounts do not include consumption tax and local consumption tax.
- Profit or loss per share is calculated based on the average number of shares outstanding during the period.
- Please refer to the above section (1) Business Analysis for the business performance for the current fiscal year ended 31 March 2016.

(4) Business Outlook for 2017

1. Overhaul of profit structure

Our profit structure, to a certain extent, is centered on revenue generated from high-gambling machines; while significant revenue growth in the future is not expected to exceed previous levels. We must ensure our profitability while properly maintaining revenue margin and undertaking appropriate steps in replacement of machines. To this end, we will continue to focus on reducing unnecessary costs and raising the productivity of each employee by reviewing store operations. These efforts are essential in order to respond to environmental changes in the future of the pachinko business, and we position these as our first priority.

2. *Strengthening existing halls*

In each hall, we will work to maintain the quality of the machines that comply with laws and regulations, to ensure cleanliness, and to further improve our services with our customers. With regard to improvement of services, we will strive to offer more flexible services to suit the circumstances of each region. We are making proactive efforts to enhance general prizes variety, which is a factor in customer's choice of store. Starting from the current financial year, we have and will continue to introduce an online prize system, whereby customers can select a greater variety of general prizes from online shopping sites.

3. *Co-marketing with local communities*

Given the shrinking population of participants in the pachinko market, each of our outlets must ensure its sustainability by being the preferred choice of the customers in its local area. To do so, it is essential that we consider the awareness of each store to local residents and how we can co-exist as a member in the local community. From the current financial year, we explore building a positive image of Niraku stores and undertaking marketing activities to subtly acquire Niraku fans and build the Niraku brand, thereby promoting an "active local engine." In addition to conventional corporate social responsibilities activities, these measures will assist each store in acting as a nexus for a variety of entertainment activities in the region, serving as a branding activity that will deepen ongoing ties with the region.

(5) Principal business activity

The principal activity of the Company is investment holding. No other business activity was carried out by the Company during the year.

(6) Principal office and employees

1. *Principal office*

i. Business Centre

1-1-39 Hohaccho, Koriyama-shi, Fukushima, Japan

2. *Employees*

Not applicable

(7) Material subsidiary

Company name	Share capital <i>(In ¥ thousand)</i>	% of equity interest %	Major scope of business
Niraku Corporation	257,000	100.0	Pachinko and pachislot hall operator, hotel and restaurant operations

(8) Major lenders and amount borrowed

Lenders	Amount borrowed <i>(In ¥ thousand)</i>
Mizuho Bank, Ltd.	1,684,853
The Toho Bank, Ltd.	1,440,993
Sumitomo Mitsui Banking Corporation	1,396,654
The Ashikaga Bank, Ltd.	1,241,471
The Aozora Bank, Ltd.	931,103
The Fukushima Bank, Ltd.	665,073
The Tokyo Tomin Bank, Ltd.	399,044
The Akita Bank, Ltd.	288,198
The 77 Bank, Ltd.	221,691
The Daito Bank, Ltd.	221,691
The Tsukuba Bank, Ltd.	199,522
The Gunma Bank, Ltd.	177,353

(9) Dividend policy and the right to declare distribution of dividends under the Articles of Incorporation (Paragraph 1 of Article 459 of the Japan Companies Act)

The Company has positioned the return of profits to shareholders in conjunction with the consolidated results as one of the important issues. According to the dividend policy, the Group intended to recommend a payment of dividend at 30% of the consolidated net profit attributable to the shareholders calculated in accordance with International Financial Reporting Standards (IFRS).

According to the meeting of the Board of Directors on 20 May 2016, the Board approved the final dividend of JPY0.10 per share, representing 66% of net profit for the year ended 31 March 2016.

2. MATTERS RELATED TO SHARES

(1) Significant matters related to shares (As at 31 March 2016)

1. Total number of authorized shares 2,000,000,000 shares
2. The total number of outstanding shares 1,195,850,460 shares
3. The number of shareholders as at the end of the current fiscal year 95
4. Top ten shareholders

Name of shareholders	Number of shares held	Shareholding ratio
HKSCC Nominees Limited (<i>Note 1</i>)	361,531,700	30.23%
SMBC Trust Bank, Ltd.	229,137,500	19.16%
Hisanori Taniguchi	212,980,460	17.80%
Tatsuo Taniguchi	161,690,000	13.52%
Yoshihiro Tei	33,580,000	2.80%
Mitsuhiro Tei	27,485,000	2.29%
Motohiro Tei	27,485,000	2.29%
Eijun Tei	27,485,000	2.29%
Rika Tei	27,485,000	2.29%
Jukki Limited	19,320,000	1.61%

Note 1 The shares held under the name of HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, are deposited into central clearing system (CCASS).

3. MATTERS RELATED TO DIRECTORS

(1) Matters related to directors (As at 31 March 2016)

Name	Position and responsibilities	Significant concurrent position
Hisanori Taniguchi	Chairman Chief Executive Officer Executive Director Member of Nomination Committee and Remuneration Committee	President of Niraku Corporation Director of Densho Limited
Hiroaki Morita	Independent Non-executive Director Chairman of Nomination Committee Member of Audit Committee and Remuneration Committee	Director of IPO Research Institute, Ltd.
Norio Nakayama	Independent Non-executive Director Chairman of Remuneration Committee Member of Audit Committee	.
Masaharu Togo	Independent Non-executive Director Member of Nomination Committee	
Hiroaki Kumamoto	Independent Non-executive Director Chairman of Audit Committee	President of Global Japan Consulting Limited
Akinori Ohishi	Executive officer	Director of Niraku Corporation
Hidenori Morota	Executive officer	Director of Niraku Corporation

(2) The total remuneration of directors and executive officers

Category	Number of people	Amount	Remark
Directors	5	¥16,500 thousand	Note 1
Executive officers	<u>2</u>	<u>¥40,560 thousand</u>	Note 1
Total	<u><u>7</u></u>	<u><u>¥57,060 thousand</u></u>	

Note 1. Remuneration of director who is also holding the office of executive officer is included in the category of executive officers.

(3) Matters related to the amount and calculation of remuneration*1. Method of policy determination*

Remuneration for each of the director and executive officer shall be individually determined by the Remuneration Committee in accordance with Japan Companies Act.

2. General policy

Remuneration shall be commensurate with their role, required capability and responsibility in each position.

3. Remuneration of directors

Directors' remuneration is paid on monthly basis, taking into account their offices as executive and non-executive directors.

4. Remuneration of executive officers

Executive officers' remuneration is paid on a fixed monthly rate according to their positions held.

(4) Major activities of independent non-executive directors

Category	Name	Status on major activities
Director	Hiroaki Morita	Attended 15 out of 15 board meetings held during the fiscal year. He had commented and given advice on the listing issue.
Director	Norio Nakayama	Attended 15 out of 15 board meetings held during the fiscal year. He had commented and given advice on the overall business operation.
Director	Masaharu Togo	Attended 15 out of 15 board meetings held during the fiscal year. He had commented and given advice on the overall business operation.
Director	Hiroaki Kumamoto	Attended 15 out of 15 board meetings held during the fiscal year. He had commented and given advice on the accounting and taxation aspects.

(5) Total remuneration of independent non-executive directors

	Number of people paid	Amount	Remuneration from the subsidiary
Total remuneration of independent non-executive directors	4	¥16,500 thousand	Nil

4. ACCOUNTING AUDITOR**(1) Name of accounting auditor**

PricewaterhouseCoopers Arata

(2) Fees

Fees for provision of audit service for the current fiscal year ¥3,400 thousand

Note: Communication has been made between Audit Committee and the accounting auditor. The fees of statutory audit service were agreed in accordance with Paragraphs 1 and 3 of Article 399 of the Japan Companies Act.

5. OVERVIEW OF THE RESOLUTION REGARDING THE MAINTENANCE OF THE FRAMEWORK FOR ENSURING THE APPROPRIATENESS OF BUSINESS**(1) Maintenance of the framework ensuring the appropriateness of business**

1. *Framework for ensuring the compliance of execution of duties by executive officers with laws and the Articles of Incorporation, framework for ensuring the appropriateness of other business*
 1. Supervised by directors, executive officers are required to report necessary matters in the meetings of the Board; and submission of reports of their duties performed to the Board regularly.
 2. Audit Committee regularly holds meeting with executive officers and receives reports of any significant legal violations.
2. *Framework for data storage and information management related to the execution of the duties of executive officers*
 1. Executive officers shall establish rules in respect of document management, maintaining and controlling information concerning matters involving executive officers' approval, actions involving the approval of the Board, and other actions within the authority of executive officers.

2. Executive officers shall establish and maintain a system regarding, in response to the request from Directors, Audit Committee, or accounting auditor, the disclosure of information of documents (including the electronic documents).
3. *Rule for managing risk of loss and other similar framework*
 1. Executive officers shall, through the Board meetings, grasp the business conditions of each Group company, extract and resolve business issues, develop measures and monitor the progress thereof. Through the process, executive officers shall identify business risk and take appropriate measures.
 2. Executive officers shall formulate the business execution policy on material group-wide management issues, and to develop and operate a system necessary to manage the risk of loss.
 3. Executive officers shall review the results of audits conducted by internal audit department in respect of business procedures, operation standard and business performance of each Group company and take necessary measures.
 4. *Framework for ensuring the efficient execution of duties by executive officers*
 1. The Board shall establish a primary group management policy, approve the business plan and budget developed by executive officers, and ensure timely execution of operation.
 2. Executive officers shall strive to achieve business objectives and managerial goal of the Group in accordance with guidance from the Board. The execution of operation shall be decided in accordance with the appropriate procedures based on the policy established by the Board, the policy of executing business of executive officers and other internal policies related to the responsibilities and authority of executive officers.
 5. *Framework for ensuring duties executed by employees are in compliance with laws and regulations and the Articles of Incorporation*
 1. Executive officers shall, through intra-group network, ensure the Directors and employees are well informed of the corporate ethics, laws and regulations and rules and policies of each Group company.
 2. Executive officers shall put effort in early detection and appropriate response to the legal violations within the Group by utilising the independent internal reporting system and other available systems.

3. The Company and each Group company shall not be connected with anti-social forces and organisations. The Company and each Group company should reject requests from these organisations, and not to carry out transactions with those companies, organisations, individuals having connection with the anti-social organisations. In addition, the Company and each Group company shall put effort to cooperate with external specialised agencies including police, bureau centre, tokuboren and consulting lawyers; and to adopt an attitude of resolution to deal with this.
6. *Framework for ensuring proper execution of business in the Group consisting of the Company and its subsidiaries*
 1. The Board shall, with the aim of maximising the corporate value of the Group, monitor the Group's overall business execution to ensure the legitimacy of the operation of the Group and the achievement of business objectives and business goal.
 2. Executive officers shall manage and monitor the Group based on subcontracting agreement with each Group company, and put effort to achieve business objectives and business goal.
 3. Executive officers shall maintain the system related to the various measures and policies of the Group including the asset management and evaluation, human resources, finance, internal control, legal and information disclosures, carry out reassessment and take appropriate improvement measures for any deficiencies found to ensure efficient allocation of management resources within the Group.
7. *Matters concerning Directors and employees to assist the duties of the Audit Committee*

Executive officers shall assign employees of the Company to assist the Audit Committee in carrying out the duties. No Directors from the Board shall be assigned to assist the Audit Committee.
8. *Matters related to Employees' independency from the executive officer in the preceding item*

Executive officers shall set out procedures to ensure the independency of employees who are assigned to assist the Audit Committee.

9. *Framework for reporting to Audit Committee by executive officers and employees; and other framework for reporting to Audit Committee*

Executive officers shall maintain a framework that executive officers and employees are able to report to the Audit Committee. Any issues that may affect the operation or performance of the business, executive officers and employees shall report to the Audit Committee as they arise.

10. *Other framework for ensuring Audit Committee effectively execute audits*

1. Executive officers shall allow Audit Committee members to attend management meetings.
2. Executive officers and employees shall report to the Audit Committee on the progress of business execution upon request of Audit Committee or the members of Audit Committee.

6. MATTERS RELATED TO SPECIFIED WHOLLY-OWNED SUBSIDIARY

Name	Address	Total carrying value	Total assets value
Niraku Corporation	Koriyama-shi, Fukushima	¥19,152,052 thousand	¥31,266,615 thousand

SUPPLEMENTARY SCHEDULE RELATED TO THE BUSINESS REPORT

1. Details of executive officers holding positions in other group companies:

Title	Name	Name of other group companies	Position held in other group companies	Relationship with other group companies
Chief Executive Officer	Hisanori Taniguchi	Densho Limited	Director	One of the controlling shareholders of the Company
		Niraku Corporation	Representative Director	Subsidiary of the Company
Executive officer	Akinori Ohishi	Niraku Corporation	Director	Subsidiary of the Company
Executive officer	Hidenori Morota	Niraku Corporation	Director	Subsidiary of the Company

The following is the texts of the audited financial reports of the Company for the year ended 31 March 2016 prepared pursuant to and in accordance with the requirements under the Japan Companies Act and JGAAP. The audited financial statements of the Group for the same period prepared in accordance with the Listing Rules and IFRS are included in the Company's annual report 2016 being despatched to the Shareholders together with this circular.

19 May 2016

To the Board of Directors of
株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC Holdings, INC.

PricewaterhouseCoopers Aarata

Hiroyuki Sawayama, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, profit and loss statement, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of 株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC Holdings, INC. (hereinafter referred to as the "Company") for the 4th fiscal year from 1 April 2015 to 31 March 2016.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND THE SUPPLEMENTARY SCHEDULES

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the financial statements and the supplementary schedules.

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

OPINION

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

CONFLICT OF INTEREST

We have no interest in or relationship with the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* *The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.*

BALANCE SHEET*(As at 31 March 2016)*

Account	Amount
	<i>(In ¥ thousand)</i>
ASSETS	
CURRENT ASSETS	5,854,971
Cash and deposits	3,661,712
Current portion of loans receivable	1,145,288
Tax recoverable	847,400
Deferred tax assets	184,819
Other receivables	15,752
NON-CURRENT ASSETS	25,411,643
Tangible fixed assets	4,108
Buildings	3,807
Equipment and tools	301
Intangible assets	23,248
Software	23,248
Investments and other assets	25,384,288
Investment in a subsidiary	19,152,052
Long term loans receivable	5,927,270
Long term prepaid expense	299,389
Deferred tax assets	18
Others	5,559
Total assets	<u><u>31,266,615</u></u>

Account	Amount <i>(In ¥ thousand)</i>
LIABILITIES	
CURRENT LIABILITIES	1,662,181
Borrowings	1,329,400
Payables and accrued expenses	294,568
Tax payable	34,586
Other payables	<u>3,627</u>
NON-CURRENT LIABILITIES	7,538,250
Long term borrowings	<u>7,538,250</u>
Total liabilities	<u>9,200,431</u>
NET ASSETS	
SHAREHOLDERS' EQUITY	22,066,184
Share capital	3,000,000
Capital surplus	17,896,921
Capital reserve	17,006,848
Other capital surplus	890,073
Retained earnings	1,169,263
Other retained earnings	
Retained earnings carried forward	<u>1,169,263</u>
Total Net Assets	22,066,184
Total Liabilities and Net Assets	<u>31,266,615</u>

(Note) The amounts stated above have been rounded down to the nearest ¥1,000.

PROFIT AND LOSS STATEMENT*(From 1 April 2015 to 31 March 2016)*

Account	Amount <i>(In ¥ thousand)</i>
Operating revenue	987,000
Operating expenses	<u>(626,921)</u>
Operating profit	<u>360,079</u>
Non-operating income	23,293
Interest income	22,724
Other non-operating income	569
Non-operating expenses	(502,166)
Interest expenses	(59,429)
Exchange loss	(210,127)
Expenses in relation to increase in share capital	(137,593)
Other non-operating expenses	<u>(95,017)</u>
Loss for the year	(118,794)
Extraordinary expenses	(173)
Loss on fixed assets written off	<u>(173)</u>
Loss before tax	(118,967)
Income tax — credit	381,821
Income tax adjustment	<u>(90,710)</u>
Profit for the year	<u><u>172,144</u></u>

(Note) The amounts stated above have been rounded down to the nearest ¥1,000.

STATEMENT OF CHANGES IN EQUITY

From 1 April 2015 to 31 March 2016

(In ¥ thousand)

Item	Shareholder's equity				Retained earning Retained earnings carried forward	Total Shareholder's equity	Total Net Assets
	Capital	Capital reserve	Other capital reserve	Total capital reserve			
Balance at beginning of year	10,000	14,510,058	890,073	15,400,131	1,905,965	17,316,096	17,316,096
Change during the year							
Issue of new shares	2,990,000	2,496,790	—	2,496,790	—	5,486,790	5,486,790
Dividend paid	—	—	—	—	(908,846)	(908,846)	(908,846)
Profit for the year	—	—	—	—	172,144	172,144	172,144
Total change for the year	<u>2,990,000</u>	<u>2,496,790</u>	<u>—</u>	<u>2,496,790</u>	<u>(736,702)</u>	<u>4,750,088</u>	<u>4,750,088</u>
Balance at end of year	<u><u>3,000,000</u></u>	<u><u>17,006,848</u></u>	<u><u>890,073</u></u>	<u><u>17,896,921</u></u>	<u><u>1,169,263</u></u>	<u><u>22,066,184</u></u>	<u><u>22,066,184</u></u>

(Note) The amounts stated above have been rounded down to the nearest ¥1,000.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**1. NOTES ON MATTERS RELATING TO THE SIGNIFICANT ACCOUNTING POLICIES****(1) Valuation basis and method of assets***1. Valuation basis and method of marketable securities*

Investments in subsidiaries and related companies... moving average cost method

2. Valuation basis and method of derivatives financial instruments

Using individual fair value method

(2) Depreciation method of fixed assets*1. Tangible fixed assets*

Deprecation is calculated using declining-balance method.

However, depreciation of buildings (except leasehold improvement) are calculated using straight-line method.

The estimated useful lives are as follows:

Buildings	3 to 38 years
Equipment and tools	2 to 20 years

2. Intangible fixed assets

Amortisation is calculated using straight-line method.

Amortisation of software (internal use) is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 years.

3. Long term prepaid expenses

Amortisation is calculated using straight-line method.

(3) Foreign currency translation for monetary assets and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates prevailing at the dates of the transactions, foreign exchange differences are recognised as the profit or loss.

(4) Deferred tax assets*1. Expenses in relation to increase in share capital*

Recognised at the time when expenses are incurred.

(5) Other significant matters that constitute the basis for the preparation of financial statements**1. Accounting for hedging**

- *Hedge accounting*

Deferred hedge accounting is used

For interest rate swaps transactions, where they meet all the specific criteria, they are recognised using specific accounting treatment.

- *Hedge method and Hedge item*

Hedge method... Derivatives transactions (Interest rate swaps transactions)

Hedge item... Interest rate of borrowings

- *Hedge policy*

To minimise the adverse effects of interest rate fluctuation, derivative contracts are arranged.

The Company entered into derivative contracts as a means of risk management of its assets and liabilities, and had no intention for speculative or trading purposes. Derivatives contracts will not be arranged if the Company considered that may increase the market risk. Credit risk in relation to the derivative contractors will be considered during the selection process, as a result, market risk and credit risk of derivative contracts are insignificant.

2. Accounting for consumption tax

Tax inclusion method is being adopted. The Company is a tax-exempt business provider and that consumption tax is exempted.

3. Application of consolidated tax accounting

Consolidated tax accounting is applied.

2. NOTES RELATING TO BALANCE SHEET

(1)	Accumulated depreciation of tangible fixed assets	¥638 thousand
(2)	Assets and liabilities with related companies	
	Short-term loans receivable	¥1,145,288 thousand
	Long-term loans receivable	¥5,927,270 thousand
	Short-term borrowings	¥264,217 thousand

3. NOTES RELATING TO PROFIT AND LOSS STATEMENT

(1)	Transactions with related parties	
	Operating transactions	
	Dividend income	¥987,000 thousand
	Handling charge	¥19,709 thousand
	Non-operating transactions	
	Interest income	¥21,942 thousand

4. NOTES RELATING TO STATEMENT OF CHANGES IN EQUITY

(1) Class and total number of shares in issue

(Number of shares)

Class of share	Number of shares at beginning of year	Increase in number of shares	Decrease in number of shares	Number of shares at end of year	Remark
Ordinary share	895,850,460	300,000,000	—	1,195,850,460	

(Note) Issue of new shares for initial public offering

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 April 2015. For the purpose of listing, the Company passed a resolution regarding the issuance of new shares as follows in the board meetings held on 16 March 2015, 1 April 2015 and 2 April 2015, and all the payment has been completed.

Method of offering	Public offering (Offering through book building)
Category and number of shares issued	Ordinary shares 300,000,000 shares
Share subscription price	HK\$1.18 per share (¥18.29 per TTM rate of Sumitomo Mitsui Banking Corporation as at 8 April 2015) is the price of public offering.
Underwritten price	HK\$1.14 per share (¥17.67 per TTM rate of Sumitomo Mitsui Banking Corporation as at 8 April 2015). The underwritten price is the amount received from underwriter for the payment for one new share.
Issued price	HK\$1.18 per share (¥18.29 per TTM rate of Sumitomo Mitsui Banking Corporation as at 8 April 2015). This price is the paid-in amount in accordance with the Japan Companies Act, and it was approved in the board meeting held on 2 April 2015.
Amount incorporated in Capital	¥9.96 per share
Total amount underwritten	HK\$339,431 thousand (¥5,261,193 thousand per the TTM rate of Sumitomo Mitsui Banking Corporation as at 8 April 2015).
Paid-in date	8 April 2015
Use of proceeds	Mainly used for financing the opening of new halls.

(2) Types and number of treasury shares

Not applicable

(3) Dividend distribution

(1) Dividend payment

Pursuant to the resolutions of the board of directors dated 21 May 2015:

Total final dividends	¥908,846 thousand
Price per 1 share	¥0.76
Value date	8 June 2015
Payment date	7 July 2015

5. NOTES TO FINANCIAL INSTRUMENTS**1. Financial instruments****(1) Policy on purchase of financial instruments**

The Group maintains sufficient cash flow to finance its capital investment in pachinko and pachislot business. The Group's funding activities include investing temporary surplus in low risk financial assets and bank borrowings for short-term working capital. For derivatives, interest rate swap contracts are entered to manage interest rate risk, which are not for the purpose of speculation.

(2) Details of financial instruments and related risk management

The Company is exposed to credit risk in relation to the loans receivables, which are mainly due from related companies. The Company frequently monitor the financial situation of the related companies in order to reduce credit risk.

Operating liabilities are payables and accrued expenses, and the amounts due are mainly within 1 year.

The Group's borrowings are for ensuring sufficient cash flow to meet capital expenditures and commitments of the Group. The Group entered into certain floating to fixed interest rate swap contracts as a measure to manage interest rate risk in relation to loans of the Group.

Payables and borrowings under operating liabilities are exposed to liquidity risk. Finance department of the Group monthly prepares and updates the payables and borrowings data as a means of risk management.

(3) Supplementary information on fair value of financial instruments

The fair value of financial instruments are based on quoted market prices; where quoted market prices are not available, reasonable assumptions will be applied in the computation of fair value. Since variable factors are incorporated in the estimation, different assumptions are adopted when determining fair values.

Regarding the contracted price of derivatives transactions as mentioned in below "2. Fair value of financial instruments", the amount itself does not indicate the market risk associated with the derivative transaction.

2. Fair value of financial instruments

The difference between the carrying amounts and the fair values of the financial instruments as at 31 March 2016 (closing date for the current year) are as follows. Item (investment in a subsidiary amounted to ¥19,952,052 thousand) whose fair value cannot be reliably measured is not included in the following table.

	Balance sheet amount <i>(Note)</i> <i>(In ¥ thousand)</i>	Fair value <i>(Note)</i> <i>(In ¥ thousand)</i>	Difference <i>(In ¥ thousand)</i>
1. Cash and deposits	3,661,712	3,661,712	—
2. Current portion of loans receivable	1,145,288	1,145,288	—
3. Tax recoverable	847,400	847,400	—
4. Long term loans receivable	5,927,270	5,927,270	—
5. Current portion of borrowings	(1,329,400)	(1,329,400)	—
6. Payables and accrued expenses	(294,568)	(294,568)	—
7. Income tax payable	(34,586)	(34,586)	—
8. Long term borrowings	(7,538,250)	(7,538,250)	—
9. Derivatives	—	—	—

(Note) Balances recorded as liabilities are presented in ().

1. Cash and deposits

The carrying amount of cash and deposits approximate its fair value as at 31 March 2016.

2. Current portion of loans receivable and 4. Long term loans receivable

Loans receivable are arranged under floating rate. The carrying amounts approximate their fair values as at 31 March 2016.

3. Tax recoverable, 6. Payables and accrued expenses and 7. Income tax payable

Tax recoverable and other payables are current in nature. The carrying amounts approximate their fair values as at 31 March 2016.

5. Current portion of borrowings and 8. Long term borrowings

Borrowings are arranged under floating rate. The carrying amounts approximate their fair values as at 31 March 2016.

9. Derivatives

Hedge accounting application: Hedge accounting is applied for derivative transactions. The contracted amount in relation to hedging as at the balance sheet date is as follows:

Interest rate (specific accounting treatment)

Hedge accounting method	Type of derivative transactions	Hedged item	Contracted price		Fair value (¥ thousand)
			(¥ thousand)	Over 1 year (¥ thousand)	
Specific accounting treatment on interest rate swap	Floating to fixed interest rate swap contract	Long term borrowings	1,493,505	1,340,325	(16,034)

Note 1: Fair value is estimated based on the value provided by the contracted financial institutes.

6. NOTES TO EFFECTIVE TAX ACCOUNTING

The reason of deferred tax assets arising is due to tax loss carried forward.

7. NOTES TO TRANSACTIONS WITH RELATED PARTIES

(1) Subsidiary and related parties

Category	Name of related party	Percentage of holding (being held) such as voting rights	Relationship with related parties	Description of the transaction	Transaction amount (Note 2) (In ¥ thousand)	Account	Ending balance at end of year (In ¥ thousand)
Subsidiary	Niraku Corporation	Direct ownership 100.0%	Common director	Being the guarantor of bank borrowing of the Company (note 3)	8,867,650	—	—
				Lending of funds	5,583,646	Current portion of loans receivable	959,964
				Interest income	16,647	Long term loans receivable	4,383,685
Indirectly held subsidiary	NEXIA Inc.	Indirect ownership 100.0%	Renting of investment properties to a subsidiary	Being the guarantor of bank borrowing of the Company (Note 3)	8,867,650	—	—
				Lending of funds	1,775,253	Current portion of loans receivable	185,324
				Interest income	5,294	Long term loans receivable	1,543,585

(Note)

1. Regarding the above amounts, the transaction amounts do not include consumption tax, while the year-end balances include consumption tax.
2. Terms of trade and policy of determining terms of trade

The pricing and the other terms of trade are determined by the agreement with the subsidiary making reference to the terms of trade with the third parties.
3. The Company has received the guarantee of liabilities and guarantee of deposit on the bank borrowings from Niraku Co., Ltd, the transaction amount represents the balance of the liabilities of the Company at end of year. The Company has not paid any guarantee fees.
4. The Company has received the guarantee of liabilities and guarantee of deposit on the bank borrowings from NEXIA Inc., the transaction amount represents the balance of the liabilities of the Company at end of year. The Company has not paid any guarantee fees.

8. NOTES TO FINANCIAL INFORMATION PER SHARE

Net Assets per share	¥18.45
Net income per share	¥0.14

9. NOTES TO SIGNIFICANT SUBSEQUENT EVENTS

Acquisition of shares of Nha Trang Holdings Limited

The Company entered into a sales and purchase agreement with Coastal Heritage Limited to acquire 66.7% equity interest in Nha Trang Holdings Limited on 19 May 2016.

1. Purpose of acquisition

Nha Trang Holdings Limited owns and operates 7 Vietnamese restaurants (5 restaurants under the brand “Nha Trang” and 2 restaurants under the brand “BEP”), and 1 contemporary Chinese cuisine restaurant under the brand “Pinot Duck” in Hong Kong. The Group plan to expand these Vietnamese restaurants in Hong Kong and developing them oversea in the future. The Group aims to expand restaurant business to Japan and Western countries together with enhancing the market presence in Hong Kong through this share acquisition.

2. Name, principal activities and business capacity of the acquire

(1) Name	Nha Trang Holdings Limited
(2) Principal Business	Restaurant operation
(3) Size of business (as at 31 Mar 2016)	Consolidated Total assets: HK\$72 million (¥1,044 million) Consolidated revenue: HK\$179 million (¥2,596 million)

(Note) 1. ¥14.5 per HK\$ is applied.
2. Above numbers are not audited.

3. Agreement signed date 19 May 2016

4. *The number of shares to be acquired, consideration and share percentage after the acquisition.*

(1) The number of shares to be acquired: 2 shares

(2) Consideration: HK\$100 million (¥1,450 million)

(Note) ¥14.5 per HK\$ is applied.

(3) Percentage of equity interest acquired: 66.7%

5. *Funding for consideration* *Bank borrowings and Own funds*

10. NOTES TO OTHER ADDITIONAL INFORMATION

Notes to consolidated taxation

Consolidated taxation was adopted during the fiscal year.

1. *Details of tangible fixed assets and intangible fixed assets (including investments and other assets which subject to amortization) (In ¥ thousand)*

Category	Classification of asset	Net book amount at beginning of year	Additions	Disposals	Depreciation/ amortization	Net book amount at end of year	Accumulated depreciation/ amortization	Cost at end of year
Tangible fixed assets	Buildings	4,465	—	172	485	3,807	520	4,327
	Equipment and tools	401	—	—	100	301	117	419
	Total	4,867	—	172	586	4,108	638	4,746
Intangible fixed assets	Software	23,634	4,342	—	4,727	23,248	—	—
	Total	23,634	4,342	—	4,727	23,248	—	—
Investments and other assets	Long term prepaid expenses	80,605	312,800	72,887	21,127	299,389	—	—

(Note) 1. Major additions for the fiscal year are as follows:

Software: Additions for the implementation of consolidated accounting system	¥4,342 thousand
Long term prepaid expenses: Refinancing handling fee	¥312,800 thousand

2. *Details of administrative and other operating expenses*

Account	Amount <i>(In ¥ thousand)</i>
Directors' remuneration	57,060
Salaries and allowances	16,185
Bonuses	1,371
Legal welfare expense	2,498
Social welfare expense	330
Educational expense	711
Rental expense	11,763
Lease expense	230
Insurance expense	2,440
Depreciation expense	5,313
Communication	318
Utilities expense	66
Hygiene management fee	323
Handling expenses	366,798
Researching fee	246
Travelling and transportation	19,195
Advertising expenses	8,719
Taxes and public charges	111,118
Entertainment	15,452
Membership fees	695
Consumables	1,250
Meeting expenses	1,502
Maintenance fees	3,326
Miscellaneous expenses	<u>12</u>
Total	<u><u>626,921</u></u>

(Note) The amounts stated above have been rounded down to the nearest ¥1,000.

The following is an English translation of the audit committee's report for the year ended 31 March 2016 prepared pursuant to and in accordance with the Japan Companies Act.

CERTIFIED COPY OF THE AUDIT COMMITTEE'S REPORT (TRANSLATION)

AUDIT REPORT

The Audit Committee has conducted audits of the Directors and Executive Officers of the Company with regard to their performance of duties during the 4th fiscal year from 1 April 2015 to 31 March 2016. A report covering the findings of the audit follows.

1. Method and Contents of Audit

The Company's Audit Committee monitored and examined the content of resolutions of the Board of Directors related to matters set forth in Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act, as well as the structure and operational status of the Company's internal control system as set forth in the aforementioned resolutions. To this end, the Audit Committee received yearly reports from Directors, Executive Officers and employees regarding the content of the above resolutions, and where necessary, sought explanations and voiced opinions on these matters, as well as performed the audit by the following methods:

- (i) In accordance with policies and task allocation established by Audit Committee and in collaboration with the divisions in charge of internal control, the Audit Committee attended important meetings, received reports from Directors and Executive Officers in relation to their performance of duties, sought explanations where necessary, perused key documents such as financial statements, and conducted appropriate surveys of the status of business operations and assets at the Company's head office and other offices. The Audit Committee received business reports from subsidiaries as necessary, through communication and information sharing with the Directors and Corporate Auditors of the subsidiaries.
- (ii) The Audit Committee monitored and verified whether the Accounting Auditors maintained its independence and properly conducted its audit, received a report from the Accounting Auditors on the status of their performance of duties, and requested explanations as necessary. The Audit Committee was notified by the Accounting Auditors that it had established a "system to ensure that the performance of the duties of the Accounting Auditors was properly conducted" (the matters listed in the items of Article 131 of the Ordinance on Company Accounting) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on 28 October 2005), and requested explanations as necessary.

Based on the above-described methods, the Audit Committee examined the Business Report and its accompanying supplementary schedules, the Financial Statements (balance sheet, statement of income, statement of changes in equity, and notes to financial statements) and their accompanying supplementary schedules for the fiscal year under consideration.

2. Results of Audit

(1) Results of Audit of Business Report

- (i) We acknowledge that the Business Report and the accompanying supplementary schedules fairly present the status of the Company in conformity with the applicable laws, regulations, and the Articles of Incorporation.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of laws, regulations, or the Articles of Incorporation was found with respect to the Directors and Executive Officers' performance of their duties.
- (iii) We acknowledge that the Board of Director's resolutions with respect to the internal control systems are appropriate. We did not find any matter requiring additional comment in the Business Report or the Directors and Executive Officers' performance of their duties concerning the internal control systems.

(2) Results of Audit of the Financial Statements and the Accompanying Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditors, PricewaterhouseCoopers Arata are appropriate.

3. Subsequent event

The Company agreed to acquire the shares in Nha Trang Holdings Limited on 19 May 2016. The Audit Committee sought explanations and voiced opinions on these matters where necessary in accordance with the methods stated in 1 above, and we did not find any matter requiring additional comment with respect to Directors' judgement and Executive Officers' performance of their duties.

20 May 2016

Audit Committee of Niraku GC Holdings, Inc.* (株式会社ニラク・ジー・シー・ホールディングス)

Member of Audit Committee	Mr. Hiroaki Kumamoto (Seal)
Member of Audit Committee	Mr. Hiroaki Morita (Seal)
Member of Audit Committee	Mr. Norio Nakayama (Seal)

Note: All members of audit committee are outside directors as prescribed under Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

* for identification purpose only