niraku

株式会社ニラク·ジー·シー·ホールディングス

NIRAKU GC HOLDINGS, INC.*

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

Stock Code 股份代號 : 1245

2019/2020

INTERIM REPORT • 中期報告

* For identification purpose only
僅供識別

Contents

	Page
Corporate Profile	**2**
Corporation Information and Information for Investors	**3**
Financial and Operational Highlights	**4**
Management Discussion and Analysis	**6**
Corporate Governance and Other Information	**14**
Report on Review of Interim Financial Information	**19**
Condensed Consolidated Statement of Comprehensive Income	**21**
Condensed Consolidated Statement of Financial Position	**22**
Condensed Consolidated Statement of Changes in Equity	**24**
Condensed Consolidated Statement of Cash Flows	**25**
Notes to the Condensed Consolidated Interim Financial Information	**27**

Corporate Profile

株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC.* ("NIRAKU" or the "Company", Hong Kong stock code: 1245, together with its subsidiaries, the "Group") is a leading pachinko hall operator in Fukushima Prefecture in Japan, and has over 60 years of pachinko hall operation experience. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 April 2015 (the "Listing Date").

Since the opening of the first pachinko hall in 1950, NIRAKU has been aiming in bringing enjoyable experience to customers, which forms our slogan of "Happy Time, Creation".

NIRAKU has a strong pachinko hall network with 53 halls at present, stretching from Tokyo Metropolitan Area to Northeast Honshu, equipped with over 28,100 pachinko and pachislot machines serving customers in ten prefectures in Japan.

* *for identification purpose only*

Corporation Information and Information for Investors

CORPORATE INFORMATION

Executive Director	Mr. Hisanori TANIGUCHI *(Chairman)* Mr. Akinori OHISHI Mr. Masataka WATANABE
Non-Executive Director	Mr. Hiroshi BANNAI
Independent Non-Executive Directors	Mr. Hiroaki MORITA Mr. Michio MINAKATA Mr. Yoshihiro KOIZUMI Mr. Kuraji KUTSUWATA
Audit Committee	Mr. Michio MINAKATA *(Committee Chairman)* Mr. Hiroaki MORITA Mr. Hiroshi BANNAI
Remuneration Committee	Mr. Hiroaki MORITA *(Committee Chairman)* Mr. Yoshihiro KOIZUMI Mr. Hisanori TANIGUCHI
Nomination Committee	Mr. Hisanori TANIGUCHI *(Committee Chairman)* Mr. Michio MINAKATA Mr. Yoshihiro KOIZUMI

INFORMATION FOR INVESTORS

Principal Bankers	Mizuho Bank, Ltd. Sumitomo Mitsui Bank Corporation The Toho Bank, Ltd.
Auditor	PricewaterhouseCoopers
Legal Adviser	Deacons
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Principal Place of Business in Hong Kong	805B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui Kowloon, Hong Kong
Headquarter in Japan and Registered Office	1-1-39 Hohaccho Koriyama-shi, Fukushima, Japan 963-8811
Stock Code	1245
Investor and Media Relations Consultant	Strategic Financial Relations Limited
Website	www.ngch.co.jp
Investor Relation Inquiry	e-mail: niraku@sprg.com.hk

Financial and Operational Highlights

The following table summarises the results of the Group for the financial periods ended 30 September 2019 and 2018.

	For the six months ended 30 September			
	2019		2018	
	¥ million	**HK$ million**	¥ million	HK$ million
Gross pay-ins	**70,770**	**5,140**	71,189	4,899
Gross pay-outs	**(57,993)**	**(4,211)**	(57,972)	(3,990)
Revenue from pachinko and pachislot business	**12,777**	**929**	13,217	909
Revenue from amusement arcade business	**901**	**65**	768	53
Other revenue	**713**	**52**	453	31
Revenue	**14,391**	**1,046**	14,438	994
Hall operating expenses	**(10,850)**	**(788)**	(11,166)	(768)
Administrative and other operating expenses	**(2,348)**	**(171)**	(2,011)	(138)
Profit before income tax	**893**	**65**	1,393	96
Profit attributable to the shareholders of the Company	**496**	**36**	878	59
Earnings per share (expressed in Japanese Yen or Hong Kong dollar)	**0.41**	**0.03**	0.73	0.05
Overall revenue margin	**18.1%**	**–**	18.6 %	–
Net profit margin	**2.6%**	**–**	5.9 %	–

	As at 30 September 2019		As at 31 March 2019	
	¥ million	**HK$ million**	¥ million	HK$ million
Current assets	**16,540**	**1,201**	16,401	1,160
Current liabilities	**12,010**	**872**	9,770	691
Net current assets	**4,530**	**329**	6,631	469
Total assets	**84,503**	**6,137**	54,043	3,822
Total assets less current liabilities	**72,493**	**5,265**	44,273	3,131
Gearing ratio	**69.2%**	**–**	70.9%	–

Financial and Operational Highlights

CURRENCY TRANSLATIONS

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

1. ¥13.77 to HK$1.00, the exchange rate prevailing on 30 September 2019 (i.e. the last business day in September 2019);

2. ¥14.53 to HK$1.00, the exchange rate prevailing on 28 September 2018 (i.e. the last business day in September 2018);

3. ¥14.14 to HK$1.00, the exchange rate prevailing on 29 March 2019 (i.e. the last business day in March 2019);

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

Management Discussion and Analysis

BUSINESS OVERVIEW

Pachinko business

The pachinko industry remains severe with markets shrinking across the entire industry. More pachinko hall operators are experiencing management difficulties, such as attracting new young players and retaining existing customers, and a trend towards closing of pachinko halls.

Furthermore, the pachinko industry is likely to be confronted with other issues which further deter its profitability, such as revision of gaming machine regulations, increase in consumption tax, and constitutional measures to protect against gambling dependency following the passing of the "IR Promotion Act".

Given this industry environment, the Group, in compliance with various regulations, had implemented various sales policies to achieve continuous profitable growth and cost efficiency, while at the same time striving to provide a gaming environment that meets the needs of diverse fans. These measures included opening of new halls, seeking opportunity for acquisitions of other halls and allying with business partners. The Group has also continuously configured products to accommodate the characteristics of each region, improve the gaming environment and customer service, as well as implement cost efficiency plans and work in unity to create halls that win the support of customers. These measures are proven to be successful as the Group has seen that the sales scale is stable with improvement in customer visits.

Amusement arcade business

Operating mainly in shopping malls, like Aeon Mall, with strong ability to attract customers, Dream Games currently operates a total of ten amusement arcades including three small scale arcades for kids, of which eight are in Vietnam and two in Cambodia. Vietnam and Cambodia are undergoing rapid economic expansion, both the average age and the overall proportion of young people are on an increasing trend, while facilities designed for people to enjoy leisure time are still limited, it is then expected that use of amusement facilities will further expand within the leisure market.

In addition, this amusement arcade business is extremely compatible with the pachinko hall business we have cultivated over the years. Through this acquisition, we have succeeded in enhancing synergy for the Group including human resources efficiency. We plan to further invest in management resources, to achieve further business growth in the future.

Restaurant business

In the domestic restaurant business, as a franchisee of the "Lizarran" Spanish restaurant, developed by the Spain-based Comess Group, which principally operates restaurants in Europe, we are currently operating three restaurants in three locations — Shinbashi, Nishi-Shinjuku and a newly opened restaurant in Takadanobaba.

In mid-2019, we opened the Shenzhen Upper Hills YOKOCHO which is located inside an urban complex centre named Shenzhen Upper Hills. The Shenzhen Upper Hills YOKOCHO comprises a food court of approximately 3,000 square meters in area, with the participation of 16 diversified well-known Japanese restaurants, cafés, and sake bars. By fusing and coordinating these various aspects in a cross-cutting and innovative manner, the Group is confident that this investment will enhance the market presence of the Group in food and beverage industry.

Management Discussion and Analysis

STRATEGIES AND FUTURE DEVELOPMENT

During the six months ended 30 September 2019, the Group had taken several moves over both restaurant and gaming businesses. In respect of food and beverage business, in June 2019, the Group opened a Japanese food court in Shenzhen Upper Hills commercial building under the concept of YOKOCHO, accommodating 16 diversified well-known Japanese restaurants, café and sake bar. The Group also launched 2 cafés inside the vicinity of pachinko hall named "Komeda Café". "Komeda Café" provides a cosy place for both pachinko and non-pachinko players to enjoy drinks and light meals, and the Group plans to continue rolling out more cafés inside the hall vicinity. Further, at the end of March 2019, a restaurant under the brand "Lizarran" was opened. The Group is confident that moving ahead, in developing a larger number of restaurants, it will be able to fully utilize all of the efficient store operation, service, and quality maintenance and management systems we have cultivated through our pachinko business. The Group plans to continue expanding these restaurants in Japan's major urban areas.

Grasping the economic growth of Asian countries and the expansion of leisure market in these countries, the Group will continue to open new outlets in Asia to develop a wide variety of amusement businesses.

Further, with the 40% equity investment in Yes! E-Sports Asia Holdings Limited ("YEAH"), a company with its principal activity being eSports business, the Group has opened up a new business stream in Asia. YEAH is established to be a hub for developing and expanding the eSports business. Through allying with strategic partners, it allows the Group to popularize eSports business in Japan as well as other Asian countries, increasing the Group's market and business diversification.

As for management strategies, the Group will make bold strategic investments in the domestic Japanese amusement industry, centering on the pachinko hall business, and at the same time, solidify each overseas business in order to secure a stable earnings and growth path. These strategies include actively and intensively investing management resources in the domestic pachinko business, building a solid foundation for businesses with potential growth, and improving the corporate value and establishing a stable earnings structure.

FINANCIAL REVIEW

Gross pay-ins

Gross pay-ins recorded a slight decrease of ¥419 million, or 0.6%, from ¥71,189 million for the six months ended 30 September 2018 to ¥70,770 million for the same period in current year. The decline was mainly attributable to the (i) closure of two loss-making halls during the year ended 31 March 2019 and (ii) introduction of gaming regulation which all pachinko hall operators are required to replace the old regulated pachinko and pachislot machines with new standard machines (machines with lower jackpot size to de-emphasize the gaming element). The change of regulation in return chased away the hall traffic as these new machines are less popular among the players.

Gross pay-outs

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, increased by ¥21 million, or 0.04%, from ¥57,972 million for the six months ended 30 September 2018 to ¥57,993 million for the same period in 2019. The slight increase is mainly due to minor adjustment on pay-out ratio to improve revenue.

Management Discussion and Analysis

Revenue and revenue margin from pachinko and pachislot business

Revenue from pachinko and pachislot business declined from ¥13,217 million for the six months ended 30 September 2018 to ¥12,777 million for the same period in current year. The drop in revenue by ¥440 million or 3.3% was primarily due to shrinkage of customer base as discussed above.

The revenue margin decreased by 0.5% from 18.6% for the six months ended 30 September 2018 to 18.1% for the same period in current year. The decline in revenue margin was due to increase in pay-out ratio to boost up customer visits which, in the short term, lowered the profit margin.

Revenue from amusement arcade business

Revenue from amusement arcade business increased from ¥768 million for the six months ended 30 September 2018 to ¥901 million for the same period in 2019. The amount comprised revenue derived from Vietnam and Cambodia amounting to ¥707 million and ¥194 million, respectively (30 September 2018: ¥655 million and ¥113 million, respectively). The increase in revenue was attributable to opening of new amusement centres in January 2019 and June 2019 which generated additional income of ¥25 million and ¥6 million, respectively, together with continuous growth in each game centre.

Other revenue

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

Vending machine income amounted to ¥245 million for the six months ended 30 September 2019. The slight decrease of ¥13 million as compared to ¥258 million for the same period in 2018 was resulted from the drop in customer visits.

Income from hotel operations amounted to ¥82 million for the six months ended 30 September 2019 with the average occupancy rate of 75%. Income derived from hotel operation increased as a result of rise in occupancy rate.

Revenue from restaurants amounted to ¥386 million for the six months ended 30 September 2019. The surge of ¥268 million as compared to the same period in 2018 was mainly attributable to the opening of one Lizarran restaurant, two Komeda Cafés in pachinko halls close to the 2019 financial year end and commencement of YOKOCHO business in July 2019 which generated addition revenue of ¥53 million, ¥53 million and ¥162 million, respectively.

Management Discussion and Analysis

Hall operating expenses

Hall operating expenses decreased by ¥316 million, or 2.8%, from ¥11,166 million for the six months ended 30 September 2018 to ¥10,850 million for the same period in current year. Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and depreciation expenses, amounting to ¥3,222 million, ¥2,785 million and ¥2,265 million, respectively, for the six months ended 30 September 2019 (30 September 2018: ¥3,374 million, ¥2,716 million and ¥1,230 million, respectively).

The decline in hall operating expenses was mainly resulted from drop in pachinko and pachislot machine expenses netted with the effect of adoption of IFRS 16 Leases which led to an increase in depreciation expense and corresponding drop in rental expenses.

Administrative and other operating expenses

Administrative and other operating expenses increased by ¥337 million, or 16.8% from ¥2,011 million for the six months ended 30 September 2018 to ¥2,348 million for the same period in 2019. The increase in expenses was due to (i) increase in staff costs subsequent to opening of YOKOCHO restaurants in China which requires employees to fill up different posts; and (ii) increase in depreciation expense and corresponding drop in rental expenses as a result of adoption of IFRS 16 Leases.

Finance costs

Finance costs, net recorded a surge of ¥466 million, or 209.0%, from ¥223 million for the six months ended 30 September 2018 to ¥689 million for the same period in 2019. The drastic increase was resulted from the adoption of IFRS 16 Leases which caused a significant amount of interest expenses from lease liabilities being recognised in current period.

Profit attributable to shareholders of the Company, basic earnings per share and dividend

Profit attributable to shareholders of the Company of ¥496 million was recorded for the six months ended 30 September 2019, as compared to ¥878 million for the six months ended 30 September 2018. Apart from decrease in pachinko revenue, the fall in profit was mainly due to the effect of adoption of IFRS 16 Leases which increased total expenses of ¥178 million.

Basic earnings per share was ¥0.41 (30 September 2018: ¥0.73). The board (the "Board") of directors (the "Directors") of the Company has resolved to declare an interim dividend of ¥0.10 (or HK$0.007) per share for the six months ended 30 September 2019 (30 September 2018: ¥0.08 per share).

Management Discussion and Analysis

CAPITAL STRUCTURE

The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, including cash flow from operations and bank borrowings. The Group's daily operation is mainly financed by operating cash flows, and relies on short- and long-term borrowings for financing working capital, future expansion plans and unexpected needs. The Group's treasury objective is mainly to ensure there is sufficient cash flow to meet the payment of expenses, loans and to fund any capital expenditure and commitment that the Group may have from time to time. The Group's cash surpluses are placed in short-term and long-term fixed deposits to maintain liquidity. The Group has not experienced any difficulty in repaying its borrowings.

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

The table below sets forth the information regarding the cash and bank balances, bank borrowings, lease liabilities, working capital, total equity and gearing ratio of the Group as at 30 September 2019 and 31 March 2019, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2019 and 2018, respectively:

	As at 30 September 2019 ¥ million	As at 31 March 2019 ¥ million
Cash and cash equivalents	**14,129**	15,176
Bank deposits	**515**	43
	14,644	15,219
Bank loans	**3,861**	4,294
Syndicated loans	**11,520**	11,788
Lease liabilities (Note 1)	**3,006**	3,420
	18,387	19,502
Working capital (Note 2)	**4,530**	6,631
Total equity	**26,574**	27,511
Gearing ratio	**69.2%**	70.9%

Note 1: The balances only include leases under hire purchase arrangement.

Note 2: Working capital being current assets less current liabilities.

	For the six months ended 30 September	
	2019	2018
	¥ million	¥ million
Operating cash flows before movements in working capital	**4,345**	2,955

Net current assets of the Group totalled ¥4,530 million as at 30 September 2019 (31 March 2019: ¥6,631 million), and current ratio was 1.38 as at 30 September 2019 (31 March 2019: 1.68). As at 30 September 2019, there were cash and cash equivalents of ¥14,129 million (31 March 2019: ¥15,176 million), in which ¥12,974 million was denominated in Japanese Yen, ¥847 million was denominated in United States dollar, ¥221 million was denominated in Hong Kong dollar and ¥87 million was denominated in other currencies. Excluding the impact on adoption of IFRS 16 Leases, the Group had total borrowings of ¥18,387 million as at 30 September 2019 (31 March 2019: ¥19,502 million). Current portion of borrowings and current portion of lease liabilities amounted to ¥4,999 million as at 30 September 2019 (31 March 2019: ¥4,993 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 30 September 2019, the total bank borrowings amounted to ¥15,381 million (31 March 2019: ¥16,082 million), with average effective interest rates on bank borrowings ranged from 0.92% to 1.80% (31 March 2019: 0.99% to 1.91%) per annum. Approximately 9.1% of bank borrowings as at 30 September 2019 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 30 September 2019, the Group had three floating to fixed interest rate swap contracts with a bank in Japan (i.e. the Group pays fixed interest rates and receives interests at floating rate). These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the six months ended 30 September 2019, the loss on fair value for interest rate swap contracts amounted to ¥1 million.

The Group did not carry out any foreign currency investment and its debts were all denominated in Japanese Yen as at 30 September 2019. As the functional currencies of certain subsidiaries are different from the Company, the Group will be exposed to foreign exchange risk arising from such exposure, namely in Singapore Dollar, Vietnamese Dong, Cambodian Riel and Renminbi against Japanese Yen. The management is assessing the significance of the foreign currency exposures faced by the Group and will consider adopting appropriate measures to mitigate the risk, including but not limited to entering into currency hedges.

GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and lease liabilities, divided by total equity, was 69.2% as at 30 September 2019 (31 March 2019: 70.9%).

Management Discussion and Analysis

CAPITAL EXPENDITURE

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

	As at 30 September 2019 ¥ million	As at 31 March 2019 ¥ million
Property, plant and equipment	**650**	5,084
Investment properties	**–**	14
Intangible assets	**50**	83
	700	5,181

CHARGES ON ASSETS

As at 30 September 2019 and 31 March 2019, the carrying values of charged assets were as below:

	As at 30 September 2019 ¥ million	As at 31 March 2019 ¥ million
Property, plant and equipment	**10,803**	11,050
Investment properties	**640**	650
Deposits and other receivables	**179**	180
	11,622	11,880

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2019 and 31 March 2019.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 September 2019 and 31 March 2019 are set out in Note 21 to the condensed consolidated interim financial information.

Management Discussion and Analysis

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

During the six months ended 30 September 2019, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this interim report, the Group had no plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group had 2,110 employees. The remuneration policy of the Group (including those for directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees. Details of the key management remuneration of the Company are set forth in Note 22(b) to the condensed consolidated interim financial information.

FINANCIAL KEY PERFORMANCE INDICATORS

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in "Management Discussion and Analysis" on pages 6 to 13 and the "Condensed Consolidated Financial Information" on pages 21 to 48 of this interim report.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

During the six month ended 30 September 2019, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), with the exception for code provision A.2.1, which requires the roles of chairman and chief executive to be separate and should be performed by different individuals, and code provision E.1.3, which requires that notice for an annual general meeting should be sent to the shareholders at least 20 clear business days before the meeting.

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Chairman currently holds both positions. Since April 2010, our Chairman has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our Executive Officers (other than himself) and members of our senior management. Taking into account the continuation of the implementation of our business plans, the Directors (including our Independent Non-executive Directors) consider our Chairman is the best candidate for both positions and the present arrangements are beneficial to and in the interests of our Company and our shareholders as a whole.

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting (the "AGM") should be sent to its shareholders by the issuer at least 20 clear business days before the meeting. The AGM of the Company for the year ended 31 March 2019 was held on 27 June 2019 ("2019 AGM"), while the notice for the 2019 AGM was despatched on 5 June 2019. The above arrangement complied with the articles of incorporation of the Company (the "Articles of Incorporation") prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) for AGM but the notice period for the 2019 AGM was less than 20 clear business days before the 2019 AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2019 for the financial year ended 31 March 2019).

The Companies Act also requires the notice for the AGM to be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise the annual report which accompanied the AGM notice despatched to the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct during the six months ended 30 September 2019.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 30 September 2019. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 September 2019.

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

As at 30 September 2019, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Hisanori TANIGUCHI (谷口久徳)	Beneficial owner, interest of controlled corporation[1]	225,560,460 common Shares	18.86%
Hiroshi BANNAI (坂内弘)	Beneficial Owner	216,000 common Shares	0.02%

Notes:

(1) The interests held by Hisanori TANIGUCHI (谷口久徳) shown above include the 214,060,460 Shares held in his own name for his own benefit and the 11,500,000 Shares held by Densho Limited* (有限会社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by him.

(2) All interests stated are long positions.

(3) There were 1,195,850,460 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Tatsuo TANIGUCHI (谷口龍雄)	Beneficial owner, interest of controlled corporation, custodian(1)	223,790,000 common Shares	18.71%
Masataka TANIGUCHI (谷口晶貴)	Beneficial owner, interest of controlled corporation, custodian(2)	151,570,000 common Shares	12.67%
Yoshihiro TEI (鄭義弘)* (also known as JEONG Jungwung)	Beneficial owner, interest of controlled corporation, custodian(3)	98,440,000 common Shares	8.23%
Sumitomo Mitsui Financial Group, Inc.* (株式会社三井住友フィナンシャルグループ)	Interest of controlled corporation(4)	229,137,500 common Shares	19.16%
Sumitomo Mitsui Banking Corporation* (株式会社三井住友銀行)	Interest of controlled corporation(4)	229,137,500 common Shares	19.16%
SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行)	Trustee(1), (2), (3), (4)	229,137,500 common Shares	19.16%
Seiai TANIGUCHI (谷口正愛)	Interest of a spouse(5)	225,560,460 common Shares	18.86%
Hideko TANIGUCHI (谷口秀子)	Interest of a spouse(6)	223,790,000 common Shares	18.71%
Eiko TANIGUCHI (谷口栄子)	Interest of a spouse(7)	151,570,000 common Shares	12.67%
JEONG Kyeonghae (鄭慶惠)	Interest of a spouse(8)	98,440,000 common Shares	8.23%
Okada Holdings Limited	Beneficial owner(9)	80,500,000 common Shares	6.73%

Corporate Governance and Other Information

	Capacity/Nature of interest	Total	Approximate % of shareholding
Universal Entertainment Corporation	Beneficial owner(9)	80,500,000 common Shares	6.73%
Tiger Resort Asia Limited	Beneficial owner(9)	80,500,000 common Shares	6.73%

Notes:

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

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

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

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

(5) Ms. Seiai TANIGUCHI (谷口正愛) 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.

(6) 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.

(7) 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.

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

(9) 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.

(10) All interests stated are long positions.

(11) There were 1,195,850,460 Shares in issue as at 30 September 2019.

Save as disclosed above, and as at 30 September 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors since the date of the Company's Annual Report 2019 is set out below:

- Mr. Akinori OHISHI and Mr. Masataka WATANABE have been appointed as Executive Directors, and Mr. Kuraji KUTSUWATA has been appointed as Independent Non-executive Director, with effect from 27 June 2019.

Save as disclosed above, there is no change in information of the Directors since the date of the Company's Annual Report 2019 which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of ¥0.10 (or HK$0.007) per Share for the six months ended 30 September 2019 (30 September 2018: ¥0.08 per Share).

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the Interim Report for the six months ended 30 September 2019 and discussed the financial related matters with the management. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2019 has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

* *For identification purpose only*

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 48, which comprises the interim condensed consolidated statement of financial position of 株式会社ニラク•ジー•シー•ホールディングス NIRAKU GC HOLDINGS, INC*. (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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

Report on Review of Interim Financial Information

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 November 2019

* *For identification purpose only*

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2019

	Note	Six months ended 30 September 2019 ¥ million (Unaudited)	2018 ¥ million (Unaudited)
Revenue	6	**14,391**	14,438
Other income	7	**441**	319
Other (losses)/gains, net	7	**(52)**	36
Hall operating expenses	8	**(10,850)**	(11,166)
Administrative and other operating expenses	8	**(2,348)**	(2,011)
Operating profit		**1,582**	1,616
Finance income		**31**	24
Finance costs		**(720)**	(247)
Finance costs, net	9	**(689)**	(223)
Profit before income tax		**893**	1,393
Income tax expense	10	**(516)**	(538)
Profit for the period		**377**	855
Profit for the period attributable to:			
Owners of the Company		**496**	878
Non-controlling interest		**(119)**	(23)
		377	855
Other comprehensive income			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Currency translation differences		**(20)**	173
Items that will not be reclassified to profit or loss			
Change in value of financial assets through other comprehensive income		**(124)**	(5)
Total comprehensive income for the period		**233**	1,023
Total comprehensive income attributable to:			
Owners of the Company		**351**	1,049
Non-controlling interest		**(118)**	(26)
		233	1,023
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (expressed in ¥ per share)	11	**0.41**	0.73

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Note	**30 September 2019 ¥ million (Unaudited)**	31 March 2019 ¥ million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**24,097**	28,523
Right-of-use assets	3	**34,828**	–
Investment properties	13	**640**	650
Intangible assets	13	**1,655**	1,662
Prepayments, deposits and other receivables		**3,820**	4,208
Interest in an associate	19	**–**	–
Financial assets at fair value through profit or loss		**–**	100
Financial assets at fair value through other comprehensive income		**734**	911
Deferred income tax assets		**2,189**	1,588
		67,963	37,642
Current assets			
Inventories		**300**	109
Trade receivables	14	**89**	53
Prepayments, deposits and other receivables		**1,404**	1,020
Financial assets at fair value through profit or loss		**103**	–
Bank deposits with maturity over 3 months		**515**	43
Cash and cash equivalents		**14,129**	15,176
		16,540	16,401
Total assets		**84,503**	54,043

Condensed Consolidated Statement of Financial Position (CONTINUED)

As at 30 September 2019

	Note	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	15	**3,000**	3,000
Reserves	16	**23,798**	24,617
		26,798	27,617
Non-controlling interest		**(224)**	(106)
Total equity		**26,574**	27,511
LIABILITIES			
Non-current liabilities			
Borrowings	18	**10,941**	11,792
Lease liabilities	3	**32,699**	2,717
Provisions and other payables		**2,250**	2,226
Derivative financial instruments		**29**	27
		45,919	16,762
Current liabilities			
Trade payables	17	**178**	294
Borrowings	18	**4,440**	4,290
Lease liabilities	3	**2,787**	703
Accruals, provisions and other payables		**4,220**	4,353
Derivative financial instruments		**5**	4
Current income tax liabilities		**380**	126
		12,010	9,770
Total liabilities		**57,929**	26,532
Total equity and liabilities		**84,503**	54,043

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Attributable to shareholders of the Company									
	Share capital	Capital surplus (Note 16(a))	Capital reserve (Note 16(b))	Legal reserve (Note 16 (c))	Investment revaluation reserve (Note 16(d))	Retained earnings	Exchange reserves	Sub-total	Non-controlling interest	Total
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Balance at 1 April 2018	3,000	13,954	(16,028)	107	93	26,143	(93)	27,176	(40)	27,136
Comprehensive income										
Profit for the period	–	–	–	–	–	878	–	878	(23)	855
Other comprehensive loss										
Financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(5)	–	–	(5)	–	(5)
Currency translation difference	–	–	–	–	–	–	176	176	(3)	173
Total comprehensive profit for the period	–	–	–	–	(5)	878	176	1,049	(26)	1,023
Final dividend relating to 2018	–	–	–	–	–	(143)	–	(143)	–	(143)
Total transactions with owners	–	–	–	–	–	(143)	–	(143)	–	(143)
Balance at 30 September 2018 (Unaudited)	3,000	13,954	(16,028)	107	88	26,878	83	28,082	(66)	28,016
Balance at 1 April 2019	3,000	13,954	(16,028)	107	64	26,514	6	27,617	(106)	27,511
Adjustment on adoption of IFRS 16	–	–	–	–	–	(1,086)	–	(1,086)	–	(1,086)
At 1 April 2019 (restated)	3,000	13,954	(16,028)	107	64	25,428	6	26,531	(106)	26,425
Comprehensive income										
Profit for the period	–	–	–	–	–	496	–	496	(119)	377
Other comprehensive income/(loss)										
Financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(124)	–	–	(124)	–	(124)
Currency translation difference	–	–	–	–	–	–	(21)	(21)	1	(20)
Total comprehensive income for the period	–	–	–	–	(124)	496	(21)	351	(118)	233
Final dividend relating to 2019	–	–	–	–	–	(84)	–	(84)	–	(84)
Total transactions with owners	–	–	–	–	–	(84)	–	(84)	–	(84)
Balance at 30 September 2019 (Unaudited)	3,000	13,954	(16,028)	107	(60)	25,840	(15)	26,798	(224)	26,574

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September 2019 ¥ million (Unaudited)	2018 ¥ million (Unaudited)
Cash flows from operating activities		
Cash generated from operations	**3,477**	3,829
Interest paid	**(173)**	(194)
Income tax (paid)/refunded	**(336)**	111
Net cash generated from operating activities	**2,968**	3,746
Cash flows from investing activities		
Purchase of property, plant and equipment	**(658)**	(498)
Purchase of investment properties	**–**	(14)
Purchase of intangible assets	**(50)**	(1)
Purchase of financial assets at fair value	**–**	(100)
Proceeds from disposal of property, plant and equipment	**19**	–
Proceeds from disposal of financial assets at fair value	**–**	50
Proceeds from bank deposits with maturity over 3 months	**43**	122
Placement of bank deposits with maturity over 3 months	**(515)**	(202)
Proceeds from long-term bank deposits	**–**	47
Interest received	**3**	2
Dividend received	**28**	27
Net cash used in investing activities	**(1,130)**	(567)
Cash flows from financing activities		
Repayment of principle elements of lease liabilities (2018: repayment of obligations under finance leases)	**(2,035)**	(546)
Proceeds from bank borrowings	**835**	4,163
Repayment of bank borrowings	**(1,592)**	(4,765)
Dividends paid	**(84)**	(143)
Net cash used in financing activities	**(2,876)**	(1,291)
Net (decrease)/increase in cash and cash equivalents	**(1,038)**	1,888
Cash and cash equivalents at beginning of the period	**15,176**	15,594
Exchange gain on cash and cash equivalents	**(9)**	9
Cash and cash equivalents at end of the period	**14,129**	17,491

Condensed Consolidated Statement of Cash Flows (CONTINUED)

For the six months ended 30 September 2019

Non-cash transactions:

(a) For the six months ended 30 September 2019, property, plant and equipment of ¥3 million (For the six months ended 30 September 2018: ¥17 million) were purchased under finance leases.

(b) For the six months ended 30 September 2019, certain lease liabilities amounting to ¥405 million (For the six months ended 30 September 2018: ¥56 million) were settled through reduction of rental prepayments.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries comprising the Group (together, the "Group") are principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan, and entertainment and amusement arcade operations in Southeast Asian countries.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 8 April 2015.

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial report for the six months ended 30 September 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2019, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ACCOUNTING POLICIES (CONTINUED)

New standards and amendments to standards adopted by the Group

The following new standards and amendments have been issued and are effective for annual periods beginning on 1 April 2019:

IAS 19 (Amendments)	Employee Benefits
IAS 28 (Amendments)	Long-term interests in associates and joint ventures
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments
Annual Improvements to IFRS	Annual improvements 2015–2017 Cycle

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of IFRS 16 is disclosed below. The other new or amended standards did not have any material impact on the Group's accounting policies.

Adoption of IFRS 16, "Leases"

The Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated the comparatives for the period ended 30 September 2018 and year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening interim condensed consolidated statement of financial position on 1 April 2019.

(a) *Adjustments recognised on adoption of IFRS 16*

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which have previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.06%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

3 ACCOUNTING POLICIES (CONTINUED)

Adoption of IFRS 16, "Leases" (Continued)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

	2019
	¥ million
Operating lease commitments disclosed as at 31 March 2019	**10,176**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(3,352)**
Add: adjustments as a result of a different treatment of extension and termination options	**26,041**
Less: short-term leases recognised on a straight-line basis as expense	**(660)**
Add: finance lease liabilities under IAS 17 as at 31 March 2019	**3,420**
Lease liability recognised as at 1 April 2019	**35,625**
Of which are:	
Current lease liabilities	**3,993**
Non-current lease liabilities	**31,632**
	35,625

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019	1 April 2019
	¥ million	¥ million
Buildings	**33,383**	32,566
Leasehold improvements	**1,363**	1,646
Equipment and tools	**82**	97
Total right-of-use assets	**34,828**	34,309

3 ACCOUNTING POLICIES (CONTINUED)

Adoption of IFRS 16, "Leases" (Continued)

(a) *Adjustments recognised on adoption of IFRS 16* (Continued)

The following table shows the adjustment for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included.

	As at 1 April 2019		
Condensed Consolidated Statement of financial position (extracted)	As originally presented ¥ million	Adjustment under IFRS 16 ¥ million	Restated ¥ million
Non-current assets			
Property, plant and equipment	28,523	(3,661)	24,862
Right-of-use assets	–	34,309	34,309
Deferred income tax assets	1,588	471	2,059
Non-current liabilities			
Lease liabilities	–	31,632	31,632
Obligations under finance leases	2,717	(2,717)	–
Current liabilities			
Lease liabilities	–	3,993	3,993
Obligations under finance leases	703	(703)	–
Equity			
Reserves	24,617	(1,086)	23,531

3 ACCOUNTING POLICIES (CONTINUED)

Adoption of IFRS 16, "Leases" (Continued)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

(i) Impact on segment disclosures and earnings per share

Segment EBITDA for the six months ended 30 September 2019, segment assets and segment liabilities as at ended 30 September 2019 changed as a result of the change in accounting policy as follows:

	Segment EBITDA ¥ million Increase	Segment assets ¥ million Increase	Segment liabilities ¥ million Increase
Pachinko and pachislot hall operations	**1,465**	**29,720**	**29,703**
Amusement arcade operations	**124**	**942**	**957**
Others	**46**	**453**	**537**
	1,635	**31,115**	**31,197**

There was no material impact on earnings per share for the six months ended 30 September 2019 as a result of the adoption of IFRS 16.

(ii) Practical expedient applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "*Determining whether an Arrangement contains a Lease*".

3 ACCOUNTING POLICIES (CONTINUED)

Adoption of IFRS 16, "Leases" (Continued)

(b) *The Group's leasing activities and how these are accounted for*

The Group leases various offices, pachinko and pachislot halls and amusement arcades centres, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 5 to 20 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the financial year ended 31 March 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office furniture.

3 ACCOUNTING POLICIES (CONTINUED)

Adoption of IFRS 16, "Leases" (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable under mutual agreement by the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

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

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

There were no transfers between levels 1, 2 and 3 during the period.

	Level 1	Level 2	Level 3	Total
	¥ million	¥ million	¥ million	¥ million
As at 30 September 2019 (Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted securities	**–**	**103**	**–**	**103**
Financial assets at fair value through other comprehensive income				
— Listed securities	**734**	**–**	**–**	**734**
	734	**103**	**–**	**837**
Liabilities				
Derivative financial liabilities				
— Interest rate swaps	**–**	**34**	**–**	**34**
As at 31 March 2019 (Audited)				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted securities	–	100	–	100
Financial assets at fair value through other comprehensive income				
— Listed securities	781	–	–	781
— Unlisted securities	–	–	130	130
	781	100	130	1,011
Liability				
Derivative financial liabilities				
— Interest rate swaps	–	31	–	31

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 September 2019, instruments included in level 2 comprise trust funds and interest rate swaps issued by a financial institution in Japan and which were classified as financial assets at fair value through profit or loss.

(iii) Financial instruments in level 3

As at 30 September 2019, the Group valued its investment in the unlisted private company's equity shares based on its fair value measured with reference to its net asset value at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 during the period ended 30 September 2019.

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 September 2019 ¥ million (Unaudited)	2018 ¥ million (Unaudited)
Revenue		
Gross pay-ins	**70,770**	71,189
Less: gross pay-outs	**(57,993)**	(57,972)
Revenue from pachinko and pachislot hall business	**12,777**	13,217
Revenue from amusement arcades	**901**	768
Vending machine income	**245**	258
Revenue from hotel operation	**82**	77
Revenue from restaurant operations	**386**	118
	14,391	14,438

(b) Segment information

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

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

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment information provided to the executive directors for the six months ended 30 September 2019 and 2018 are as follows:

	Six months ended 30 September 2019			
	Pachinko and pachislot hall operations Japan ¥ million (Unaudited)	Amusement arcade operations Southeast Asia ¥ million (Unaudited)	Others Japan and China ¥ million (Unaudited)	Total ¥ million (Unaudited)
Segment revenue from external customers recognised over time	**13,022**	**901**	**468**	**14,391**
Segment results	**1,350**	**77**	**(235)**	**1,192**
Corporate expenses				**(299)**
Profit before income tax				**893**
Income tax expense				**(516)**
Profit for the period				**377**
Other segment items				
Depreciation and amortisation expenses	**(2,448)**	**(207)**	**(43)**	**(2,698)**
Finance income	**31**	**–**	**–**	**31**
Finance costs (Note)	**(674)**	**(45)**	**(1)**	**(720)**
Capital expenditures	**334**	**241**	**125**	**700**

Note: Finance costs included interest expenses arisen from lease liabilities of ¥483 million (Note 9).

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Six months ended 30 September 2018			
	Pachinko and pachislot hall operations Japan ¥ million	Amusement arcade operations Southeast Asia ¥ million	Others Japan and China ¥ million	Total ¥ million
Segment revenue from external customers recognised over time	13,475	768	195	14,438
Segment results	1,586	79	(49)	1,616
Corporate expenses				(223)
Profit before income tax				1,393
Income tax expense				(538)
Profit for the year				855
Other segment items				
Depreciation and amortisation expenses	(1,139)	(126)	(26)	(1,291)
Finance income	22	2	–	24
Finance costs	(243)	(4)	–	(247)
Capital expenditures	304	62	76	442

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets as at 30 September 2019 and 31 March 2019 are as follows:

	Pachinko and pachislot hall operations Japan ¥ million	Amusement arcade operations Southeast Asia ¥ million	Others Japan and China ¥ million	Total ¥ million
As at 30 September 2019				
Segment assets (Unaudited)	**71,836**	**2,046**	**2,270**	**76,152**
Unallocated assets				**6,162**
Deferred income tax assets				**2,189**
Total assets				**84,503**
As at 31 March 2019				
Segment assets (Audited)	42,933	1,003	1,821	45,757
Unallocated assets				6,698
Deferred income tax assets				1.588
Total assets				54,043

The total non-current assets other than financial instruments and deferred tax assets, analysed by location of the assets, is as follows:

	As at 30 September 2019 ¥ million (Unaudited)	As at 31 March 2019 ¥ million (Audited)
Japan, country of domicile	**62,509**	34,016
Southeast Asia and China	**2,531**	1,027
	65,040	35,043

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 30 September 2019 and 2018.

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

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Other income		
Rental income	**230**	82
Income from expired IC and membership cards	**15**	15
Dividend income	**28**	27
Income from scrap sales of used pachinko and pachislot machines	**153**	179
Others	**15**	16
	441	319
Other (losses)/gains, net		
Loss on disposal of financial assets at fair value through profit or loss	**–**	(2)
Gain on fair value of financial assets through profit or loss	**2**	–
(Loss)/gain on fair value for interest rate swaps	**(1)**	3
Loss on disposal of property, plant and equipment	**(54)**	(9)
Loss on disposal of investment properties	**–**	(7)
Net exchange gain	**1**	51
	(52)	36

8 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September 2019 ¥ million (Unaudited)	2018 ¥ million (Unaudited)
Employee benefits expenses		
— Hall operations	**2,785**	2,716
— Administrative and others	**896**	823
Operating lease rental expense in respect of land and buildings	**150**	1,523
Depreciation of property, plant and equipment	**1,325**	1,248
Depreciation of right-of-use assets	**1,329**	–
Depreciation of investment properties	**10**	10
Amortisation of intangible assets	**34**	33
Pachinko and pachislot machines expenses (Note)	**3,222**	3,374

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

9 FINANCE COSTS, NET

	Six months ended 30 September 2019 ¥ million (Unaudited)	2018 ¥ million (Unaudited)
Finance income		
Bank interest income	**3**	2
Other interest income	**28**	22
	31	24
Finance costs		
Bank borrowings	**(105)**	(96)
Lease liabilities	**(566)**	(98)
Provision for unwinding discount	**(49)**	(53)
	(720)	(247)
Finance costs, net	**(689)**	(223)

10 INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Current tax		
— Japan	**551**	507
— Other Asian countries	**39**	27
	590	534
Deferred income tax	**(74)**	4
	516	538

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax and enterprise tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 29.9% (30 September 2018: 30.2%) for the period ended 30 September 2019. For taxation on Asian countries in which the Group operates, the rates range from 17.0% to 20.0% (30 September 2018: same).

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2019 and 2018 as the Group did not generate any assessable profits arising in Hong Kong during both periods.

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2019 and 2018.

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (¥ million)	**496**	878
Weighted average number of shares for the purpose of calculating basic earnings per share (thousands)	**1,195,850**	1,195,850
Basic and diluted earnings per share (¥)	**0.41**	0.73

Diluted earnings per share is the same as basic earnings per share as there was no potential dilutive shares during the six months ended 30 September 2019 and 2018.

12 DIVIDENDS

During the six months ended 30 September 2019, the Company paid dividend of ¥84 million (¥0.07 per common share) to their shareholders in respect of the year ended 31 March 2019.

The Board has resolved to declare the payment of an interim dividend of ¥0.10 per common share totalling ¥120 million in respect of the six months ended 30 September 2019 (30 September 2018: ¥96 million). This condensed consolidated interim financial information does not reflect this dividend payable.

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

During the six months ended 30 September 2019, the Group incurred expenditures of approximately ¥650 million and ¥50 million for property, plant and equipment and intangible assets, respectively (Six months ended 30 September 2018: ¥426 million, ¥15 million and ¥1 million for property, plant and equipment, investment properties and intangible assets, respectively.).

No impairment loss for property, plant and equipment was incurred by the Group for the six months ended 30 September 2019 (Six months ended 30 September 2018: Nil).

During the six months ended 30 September 2019, the net book amounts of disposed property, plant and equipment amounted to approximately ¥73 million (Six months ended 30 September 2018: ¥9 million and ¥7 million, respectively for properties, plant and equipment and investment properties). During the six months ended 30 September 2019, there was no disposal of intangible asset (Six months ended 30 September 2018: Nil).

Please also refer to Note 3 on the impact of adoption of IFRS 16.

14 TRADE RECEIVABLES

	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
Trade receivables	**89**	53

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

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

	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
Less than 30 days	**89**	52
31 days to 90 days	**–**	1
	89	53

As at 30 September 2019 and 31 March 2019, no trade receivables were past due or impaired.

15 SHARE CAPITAL

	Number of shares	Share Capital ¥ million
Ordinary shares, issued and fully paid:		
At 30 September 2018, 1 April 2019 and 30 September 2019	1,195,850,460	3,000

16 RESERVES

(a) Capital surplus

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

(b) Capital reserve

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

(c) Legal reserve

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

(d) Investment revaluation reserve

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

17 TRADE PAYABLES

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

	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
Less than 30 days	**166**	47
31–90 days	**12**	242
Over 90 days	**–**	5
	178	294

18 BORROWINGS

	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
Non-current portion		
Bank loans	**2,813**	3,247
Syndicated loans	**8,128**	8,545
	10,941	11,792
Current portion		
Bank loans	**1,048**	1,047
Syndicated loans	**3,392**	3,243
	4,440	4,290
Total borrowings	**15,381**	16,082

19 INTEREST IN AN ASSOCIATE

	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
At 1 April		
Capital injection	**–**	5
Share of loss	**–**	(5)
Carrying amount	**–**	–
Unrecognised share of loss	**(22)**	(14)

On 8 November 2018, a wholly-owned subsidiary of the Group entered into an agreement to subscribe for 20,000 shares, representing 40% equity interests, of a newly incorporated Hong Kong entity, Yes! E-Sports Asia Holdings Limited ("YEAH") at a cash consideration of USD40,000. YEAH is established to be a hub for developing and expanding the e-Sports business in Asia.

In addition to the capital contribution, the Group has also entered a loan agreement with YEAH to provide it with a US$3,200,000 loan (equivalent to approximately ¥354 million) with interest rate at 4% per annum. The loan was provided on 15 November 2018 and is repayable every six months by instalments over four years after a grace period of two years. The Group has the right to demand for full repayment by the time YEAH has surplus funds (defined as any amount of funds, including cash and cash equivalents, in excess of debt or debt-like liabilities such as lease obligations) that exceeds US$3,200,000 principal amount of the loan.

YEAH is a private company and there is no quoted market price. There is no contingent liability relating to the Group's interest in the associate.

20 CONTINGENCIES

As at 30 September 2019, the Group did not have any significant contingent liabilities (31 March 2019: Same).

21 COMMITMENTS

(a) Capital commitments

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

	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
Contracted but not provided for Purchase of property, plant and equipment	**188**	19

(b) Operating lease commitments

(i) As a lessee

As at 30 September 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and pachinko and pachislot halls as follows:

	30 September 2019 ¥ million	31 March 2019 ¥ million
No later than one year	**2**	1,298
Later than one year and no later than five years	**–**	4,333
Over five years	**–**	4,545
	2	10,176

(ii) As a lessor

As at 30 September 2019 and 31 March 2019, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	30 September 2019 ¥ million (Unaudited)	31 March 2019 ¥ million (Audited)
No later than one year	**138**	40

22 RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the six months ended 30 September 2019 and 2018:

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Service fee expenses		
Niraku USA, Inc.	**15**	17

The service fee paid was related to provision of gaming research services carried out by Niraku USA, Inc. and provision of training to employees of the Group in USA. Niraku USA, Inc. is a firm controlled by certain parties among the controlling shareholders of the Company. The transactions with related parties were conducted in the ordinary course of the business based on terms mutually agreed between the relevant parties.

(b) Key management compensation

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

	Six months ended 30 September	
	2019	2018
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Directors' fees	**139**	124
Basic salaries, allowances and other benefits in kind	**22**	20
Employee's contribution to pension scheme	**3**	2
	164	146

23 SUBSEQUENT EVENTS

(i) On 29 October 2019, Nexia Inc. ("Nexia"), a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which Nexia will sell and the Purchaser will purchase properties located in Fukushima (the "Properties") at a cash consideration of ¥1,985 million (the "Disposal"). The preliminarily assessed fair value of the Property is approximately JPY1,665 million. The Disposal is expected to be completed on 27 November 2019 and the proceeds are intended to be used for repaying bank loans of the Group and to improve the financial position and increase general working capital for the Group. Upon completion of the Disposal, the Group and the Purchaser will enter into a lease agreement for continuous operation of pachinko hall at the Properties after the Disposal.

(ii) In April 2019, Niraku Corporation ("Niraku"), a wholly-owned subsidiary of the Group entered into a 20-year lease agreement with an independent third party to lease properties located in Fukushima (the "Properties") (the "Head Lease"). Subsequent to the period end date in October 2019, a separate agreement between the Group and another independent third-party (the "Lessee") to sub-lease the Properties to the Lessee for a period of 19 years ("Sub-lease") has become effective. Such arrangement is intended to prevent competitors from occupying the Properties for pachinko and pachislot hall operations as the Properties are located near to a pachinko and pachislot hall of the Group. The rental payments under the Head Lease and the Sub-lease amounted to approximately ¥84 million and ¥96 million per year, respectively. The right-of-use assets arising from the Head Lease will be derecognised upon the recognition of the lease receivables from the Sub-lease, with the resulting gains or losses to be recorded in the consolidated statements of profit or loss for the year ending 31 March 2020.

This interim report is printed on environmentally friendly paper
本中期報告以環保紙印製