Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)
(Stock Code: 1245)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

RESULTS HIGHLIGHTS

- Gross pay-ins were ¥74,057 million (or HK$5,670 million#), recording a decrease of 7.7% as compared with the same period last year;
- Revenue was ¥14,847 million (or HK$1,137 million#), recording a decrease of 5.5% as compared with the same period last year;
- Profit before income tax was ¥576 million (or HK$44 million#), recording an increase of 6.9 times as compared with the same period last year;
- Profit for the period attributable to shareholders of the Company was ¥363 million (or HK$28 million#), recording an increase of 7.6 times as compared with the same period last year;
- Basic earnings per share of the Company were ¥0.30 (or HK$0.02#) (2015: ¥0.04);
- The Board has resolved to declare an interim dividend of ¥0.09 (or HK$0.006) per share; and
- The Group operated 56 halls as at 30 September 2016.

Translated into Hong Kong dollar at the rate of ¥13.06 to HK$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016).

Note: The above % increases and decreases refer to the changes in respect of the Japanese Yen amounts but not the translated amounts in Hong Kong dollar.

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of NIRAKU GC HOLDINGS, INC.* (the "Company" or "NIRAKU") would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2016 together with the comparative figures for the six months ended 30 September 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 September 2016 ¥ million (Unaudited)	2015 ¥ million (Unaudited)
Revenue	4	**14,847**	15,713
Other income	5	**421**	512
Other losses, net	5	**(116)**	(200)
Hall operating expenses	6	**(12,000)**	(13,261)
Administrative and other operating expenses	6	**(2,280)**	(2,354)
Operating profit		**872**	410
Finance income		**27**	27
Finance costs		**(323)**	(364)
Finance costs, net	7	**(296)**	(337)
Profit before income tax		**576**	73
Income tax expense	8	**(213)**	(31)
Profit for the period attributable to shareholders of the Company		**363**	42
Earnings per share for profit attributable to shareholders of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	9	**0.30**	0.04
Other comprehensive loss			
Change in value of financial assets through other comprehensive income		**(37)**	(261)
Total comprehensive income/(loss) for the period attributable to the shareholders of the Company		**326**	(219)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 September 2016 ¥ million (Unaudited)**	31 March 2016 ¥ million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**27,319**	28,470
Investment properties	*11*	**687**	697
Intangible assets	*11*	**196**	210
Prepayments, deposits and other receivables		**3,999**	4,198
Financial assets at fair value through profit or loss		**106**	106
Financial assets at fair value through other comprehensive income		**961**	1,013
Deferred income tax assets		**1,751**	1,781
Long-term bank deposits		**215**	185
		35,234	36,660
Current assets			
Inventories		**9**	413
Trade receivables	*12*	**72**	64
Prepayments, deposits and other receivables		**1,530**	1,456
Financial assets at fair value through profit or loss		**–**	100
Current income tax recoverable		**202**	957
Bank deposits with maturity over 3 months		**159**	297
Cash and cash equivalents		**13,431**	12,310
		15,403	15,597
Total assets		**50,637**	52,257

	Note	30 September 2016 ¥ million (Unaudited)	31 March 2016 ¥ million (Audited)
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**3,000**	3,000
Reserves		**24,303**	24,097
Total equity		**27,303**	27,097
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**9,079**	9,732
Obligations under finance leases	*15*	**4,565**	5,070
Provisions and other payables		**2,072**	2,057
Derivative financial instruments		**21**	14
		15,737	16,873
Current liabilities			
Trade payables	*13*	**125**	132
Borrowings	*14*	**2,741**	3,295
Obligations under finance leases	*15*	**1,324**	1,530
Accruals, provisions and other payables		**3,262**	3,326
Derivative financial instruments		**2**	2
Current income tax liabilities		**143**	2
		7,597	8,287
Total liabilities		**23,334**	25,160
Total equity and liabilities		**50,637**	52,257

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.

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

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

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

The following new standards and amendments have been issued and effective for annual periods beginning on 1 April 2016 with no impact on the Group's results of operations and financial positions:

IFRSs (Amendment)	Annual improvements 2012 to 2014 cycle
IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
IAS 1	Disclosure initiative
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
IAS 16 and IAS 41 (Amendment)	Agriculture: Bearer plants
IAS 27 (Amendment)	Equity method in separate financial statements

There are no other standards or amendments that are effective for the first time for the six months ended 30 September 2016 that could be expected to have a material impact on this Group.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Revenue		
Gross pay-ins	**74,057**	80,218
Less: gross pay-outs	**(59,617)**	(64,905)
Revenue from pachinko and pachislot hall business	**14,440**	15,313
Vending machine income	**295**	295
Revenue from hotel operation	**82**	85
Revenue from restaurant operations	**30**	20
	14,847	15,713

(b) Segment information

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

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

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade receivables, prepayments, deposits and other receivables, bank deposits with maturity over 3 months and cash and cash equivalents. They exclude deferred income tax assets and assets used for corporate functions including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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

The segment information provided to the executive directors for the six months ended 30 September 2016 and 2015 are as follows:

	Six months ended 30 September 2016		
	Pachinko and pachislot hall operations	**Others**	**Total**
	¥ million	***¥ million***	***¥ million***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment revenue from external customers	**14,735**	**112**	**14,847**
Segment results	**1,004**	**(38)**	**966**
Corporate expenses			**(390)**
Profit before income tax			**576**
Income tax expense			**(213)**
Profit for the period			**363**
Other segment items			
Depreciation and amortisation expenses	**(1,229)**	**(11)**	**(1,240)**
Finance income	**27**	**–**	**27**
Finance costs	**(323)**	**–**	**(323)**
Capital expenditures	**229**	**46**	**275**

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

The segment assets as at 30 September 2016 and 31 March 2016 are as follows:

	Pachinko and pachislot hall operations ¥ *million*	Others ¥ *million*	Total ¥ *million*
As at 30 September 2016			
Segment assets (Unaudited)	**42,363**	**566**	**42,929**
Unallocated assets			**5,957**
Deferred income tax assets			**1,751**
Total assets			**50,637**
As at 31 March 2016			
Segment assets (Audited)	44,166	532	44,698
Unallocated assets			5,778
Deferred income tax assets			1,781
Total assets			52,257

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 30 September 2016 and 2015.

The Group is domiciled in Japan and all non-current assets of the Group as at 30 September 2016 and 31 March 2016 are located in Japan.

5 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 September	
	2016 ***¥ million*** **(Unaudited)**	2015 *¥ million* (Unaudited)
Other income		
Rental income	**71**	75
Income from expired IC and membership cards	**17**	17
Dividend income	**30**	34
Compensation and subsidies *(Note)*	**2**	295
Income from scrap sales of used pachinko and pachislot machines	**280**	79
Others	**21**	12
	421	512
Other losses, net		
Loss on fair value for financial assets at fair value through profit or loss	**–**	(1)
(Loss)/gain on fair value for interest rate swaps	**(8)**	7
Loss on disposal of property, plant and equipment	**(13)**	(26)
Net exchange loss	**(95)**	(180)
	(116)	(200)

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

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September 2016 ¥ million (Unaudited)	2015 ¥ million (Unaudited)
Employee benefits expenses		
— Hall operations	**2,615**	2,607
— Administrative and others	**790**	777
Operating lease rental expense in respect of land and buildings	**1,444**	1,439
Depreciation of property, plant and equipment	**1,213**	1,162
Depreciation of investment properties	**10**	7
Amortisation of intangible assets	**17**	18
Impairment loss on property, plant and equipment	**197**	–
Pachinko and pachislot machines expenses *(Note)*	**4,245**	5,368

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.

7 FINANCE COSTS, NET

	Six months ended 30 September 2016 ¥ million (Unaudited)	2015 ¥ million (Unaudited)
Finance income		
Bank interest income	**1**	1
Other interest income	**26**	26
	27	27
Finance costs		
Bank borrowings	**(130)**	(177)
Bond interest expense	**(1)**	(1)
Obligations under finance leases	**(147)**	(136)
Provision for unwinding discount	**(45)**	(50)
	(323)	(364)
Finance costs, net	**(296)**	(337)

8 INCOME TAX EXPENSE

	Six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
	(Unaudited)	(Unaudited)
Current tax		
— Japan corporate income tax	**168**	23
Deferred income tax	**45**	8
	213	31

Japan corporate income tax has been calculated on the estimated assessable profit for the six months ended 30 September 2016 and 2015 at the rates of taxation prevailing in Japan in which the Group operates.

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2016 and 2015 as the Group did not generate any assessable profits arising in Hong Kong during both periods.

9 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 2016 and 2015.

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (¥ million)	**363**	42
Weighted average number of ordinary shares in issue (thousands)	**1,195,850**	895,850
Weighted average number of new shares in issue (thousands)	**–**	288,525
Weighted average number of shares for the purpose of calculating basic earnings per share (thousands)	**1,195,850**	1,184,375
Basic and diluted earnings per share (Japanese Yen)	**0.30**	0.04

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 2016 and 2015.

10 DIVIDENDS

During the six months ended 30 September 2016, the Company paid dividend of ¥120 million (¥0.10 per ordinary share) to its shareholders in respect of the year ended 31 March 2016.

The Board has declared an interim dividend of ¥0.09 per ordinary share totaling ¥108 million for the six months ended 30 September 2016 (30 September 2015: nil).

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

During the six months ended 30 September 2016, the Group incurred expenditures of approximately ¥272 million (six months ended 30 September 2015: ¥2,390 million) and ¥3 million (six months ended 30 September 2015: ¥50 million) for property, plant and equipment and intangible assets, respectively.

During the six months ended 30 September 2016, the Group incurred impairment loss of approximately ¥197 million (six months ended 30 September 2015: Nil) for property, plant and equipment.

During the six months ended 30 September 2016, the net book amounts of disposed property, plant and equipment amounted to approximately ¥13 million (six months ended 30 September 2015: ¥24 million). During the six months ended 30 September 2016, there was no disposal of intangible asset and investment property (six months ended 30 September 2015: Nil).

12 TRADE RECEIVABLES

	30 September 2016	31 March 2016
	¥ million	*¥ million*
	(Unaudited)	(Audited)
Trade receivables	**72**	64

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

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

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

	30 September 2016	31 March 2016
	¥ million	*¥ million*
	(Unaudited)	(Audited)
Less than 30 days	**72**	64

As at 30 September 2016 and 31 March 2016, no trade receivables were past due or impaired.

13 TRADE PAYABLES

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

	30 September 2016 **¥ *million*** **(Unaudited)**	31 March 2016 ¥ *million* (Audited)
Less than 30 days	**54**	49
31–90 days	**71**	83
	125	132

14 BORROWINGS

	30 September 2016 **¥ *million*** **(Unaudited)**	31 March 2016 ¥ *million* (Audited)
Non-current portion		
Bank loans	**1,634**	1,945
Syndicated loans	**7,445**	7,787
	9,079	9,732
Current portion		
Bank loans	**1,290**	1,682
Syndicated loans	**1,451**	1,336
Bonds	**–**	277
	2,741	3,295
Total borrowings	**11,820**	13,027

15 OBLIGATIONS UNDER FINANCE LEASES

	30 September 2016	31 March 2016
	¥ million	*¥ million*
	(Unaudited)	(Audited)
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**1,551**	1,784
Later than 1 year and no later than 2 years	**1,200**	1,336
Later than 2 years and no later than 5 years	**1,976**	2,271
Later than 5 years	**2,403**	2,579
	7,130	7,970
Future finance charges on finance leases	**(1,241)**	(1,370)
Present values of finance lease liabilities	**5,889**	6,600

The present values of finance lease liabilities are as below:

	30 September 2016	31 March 2016
	¥ million	*¥ million*
	(Unaudited)	(Audited)
No later than 1 year	**1,324**	1,530
Later than 1 year and no later than 2 years	**1,019**	1,135
Later than 2 years and no later than 5 years	**1,607**	1,867
Later than 5 years	**1,939**	2,068
Total obligations under finance leases	**5,889**	6,600
Less: Amount included in current liabilities	**(1,324)**	(1,530)
Non-current obligations under finance leases	**4,565**	5,070

Assets arranged under finance leases represent buildings for pachinko and pachislot halls. The average lease term range from 1 to 20 years. No arrangements have been entered into for contingent rental payments during the reporting periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2016, the Group's revenue from pachinko and pachislot business amounted to ¥14,440 million, comprising revenue from suburban halls of ¥13,657 million and urban halls of ¥783 million, representing a decrease of 4.9% and 18.2%, respectively, as compared to the same period last year. The prominent factor of overall revenue decline being the continuous downturn of pachinko and pachislot industry leading to shrinkage of customer base as young players prefer online alternatives. The revenue derived from urban halls recorded a notable decrease in current period which was due to the closure of 2 urban halls, one at the end of June 2015 due to government city planning, and one at the end of September 2015 being an underperformed hall. Excluding the impact of hall closure, the decrease in revenue from urban halls would be reduced to 2.8% as compared to the same period last year.

	For the six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
Gross pay-ins		
— Suburban halls	**70,474**	75,418
— Urban halls	**3,583**	4,800
Gross pay-outs		
— Suburban halls	**(56,817)**	(61,062)
— Urban halls	**(2,800)**	(3,843)
Revenue from pachinko and pachislot business		
— Suburban halls	**13,657**	14,356
— Urban halls	**783**	957
	14,440	15,313

STRATEGIES

In responses to the decline in revenue, the Group has been persistent in enhancing its market share through revamping its halls and improving hall services to provide a pleasant playing environment to customers. This included offering wider variety of pachinko and pachislot machines featured with popular animations, setting up smoke-free zone, and introducing greater choice of general prizes via online general prize redemption system. The Group carried out frequent review on machine mix, ensuring types of machine offered met the customer preferences. Seeing the increasing popularity in pachislot machines, the Group has increased pachislot machines from 9,670 as at 30 September 2015 to 10,355 as at 30 September 2016. On the aspect of new halls, in April 2016, the Group opened the Taiheiji hall in Fukushima. The hall accommodated with over 1,200 machines which is the biggest hall ever since in the Group and marked as one of the largest pachinko hall in Tohoku area. For the six months ended 30 September 2016, gross pay-ins and revenue generated from this new hall amounted to ¥4,139 million and ¥386 million, respectively. Further, the Group continued to optimise the pay-out ratio, a key factor which has significant impact to customer visits, in order to achieve a higher net revenue. These measures have seen a proven success in increasing revenue margin and machine utilisation rate for the six months ended 30 September 2016.

	For the six months ended 30 September	
	2016	2015
Revenue margin		
— Suburban halls	**19.4%**	19.0%
— Urban halls	**21.9%**	19.9%
Machine utilisation rate		
— Pachinko	**23.9%**	23.9%
— Pachislot	**23.1%**	22.6%
Number of machines		
— Pachinko	**18,441**	18,818
— Pachislot	**10,355**	9,670
	28,796	28,488

The Group strives to provide higher returns to shareholders and investors. To achieve this, the Group not only conforms to opening of new halls to drive additional revenue, but also stresses on cost-saving as a measure to improve net profit margin. With the tightened cost control, administrative and other operating expenses for the six months ended 30 September 2016 had noted a decrease of ¥74 million as compared to the same period last year. Further, the Group centralised its financing mode from individual subsidiaries to the Company in December 2015, allowing higher bargaining power with financial institutions and lead to higher cost saving on borrowings. Following this new arrangement, interest expense was reduced by ¥46 million for the six months ended 30 September 2016 as compared to the same period last year.

	For the six months ended 30 September	
	2016	2015
Number of halls		
— Suburban halls	**49**	48
— Urban halls	**7**	7
	56	55
Net profit margin	**2.4%**	0.3%
Earnings per share (in ¥)	**0.30**	0.04

RECENT DEVELOPMENT

Despite challenging market conditions, the management of the Group is confident in increasing its returns from the core business; and at the same time explores new opportunities to broaden the revenue base, especially in the hospitality industry. On 26 September 2016, the second Spanish restaurant under the brand "LIZARRAN" was opened in Nishi-Shinjuku, a popular shopping and entertainment area among the younger generation in Tokyo. The management considered locating the second outlet in this district could enhance the market presence of the Group and bring in additional revenue.

SIGNIFICANT EVENTS IN THE PERIOD

On 19 May 2016, the Company entered into a sales and purchase agreement (the "Agreement") with Coastal Heritage Limited (the "Seller") to purchase 66.7% of equity interest in Nha Trang Holdings Limited (the "Acquisition"), a company engaged in Vietnamese and pinot duck restaurants operation, at an aggregate consideration of HK$100 million, and a deposit of HK$10 million was paid to the Seller on the same date the Agreement was signed. On 15 June 2016, the Company, after careful consideration, decided not to proceed with the Acquisition on the ground of certain conditions precedents under the Agreement not being satisfied. The Company formally informed the Seller of the termination on 15 June 2016 and demanded for refund of the deposit in full. The Board considers that the termination of the Agreement does not have any material adverse effect on the operations, business and financial position of the Group as a whole. As at date of this interim results announcement, the Group is undergoing the process of claiming refund of the full amount of the deposit.

FINANCIAL REVIEW

Gross pay-ins

Gross pay-ins recorded a decrease of ¥6,161 million, or 7.7%, from ¥80,218 million for the six months ended 30 September 2015 to ¥74,057 million for the same period in current year. The decline was due to overall decrease in customer visits which led to lower utilisation of pachinko and pachislot machines.

Gross pay-outs

Gross pay-outs, being the aggregate cost of G-prizes and general prizes exchanged by customers, dropped by ¥5,288 million, or 8.1%, from ¥64,905 million for the six months ended 30 September 2015 to ¥59,617 million for the same period in 2016. The drop generally mirrored the decline in gross pay-ins.

Revenue and revenue margin from pachinko and pachislot business

Revenue from pachinko and pachislot business declined from ¥15,313 million for the six months ended 30 September 2015 to ¥14,440 million for the same period in current year. The plunged in revenue by ¥873 million was primarily due to shrinkage of customer base which was the general phenomenon in pachinko and pachislot industry; and the closure of 2 urban halls during the prior period as discussed under "Business Review".

The revenue margin remained constant with a moderate improvement of 0.4% from 19.1% for the six months ended 30 September 2015 to 19.5% for the same period in current year. Such increase was mainly attributable from the decrease in pay-out ratio which helped to improve the revenue from pachinko and pachislot hall operations to a 0.4% increase as compared to the same period last year.

Other revenue

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

Vending machine income amounted to ¥295 million for the six months ended 30 September 2016, which remained stable as compared to ¥295 million for the six months ended 30 September 2015.

Income from hotel operations noted a slight decrease from ¥85 million for the six months ended 30 September 2015 to ¥82 million for the same period in 2016 as a result of decrease in average occupancy rate from 84.7% for the six months ended 30 September 2015 to 82.7% for the same period in 2016.

Revenue from restaurant under the brand 'LIZARRAN' amounted to ¥30 million for the six months ended 30 September 2016, noted an increase of ¥10 million as compared to the same period in 2015.

Hall operating expenses

Hall operating expenses decreased by ¥1,261 million, or 9.5%, from ¥13,261 million for the six months ended 30 September 2015 to ¥12,000 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 rental expenses, amounting to ¥4,245 million, ¥2,615 million and ¥1,382 million, respectively, for the six months ended 30 September 2016 (30 September 2015: ¥5,368 million, ¥2,607 million and ¥1,399 million, respectively).

The drop in hall operating expenses was mainly due to the substantial reduction in pachinko and pachislot machine expenses as a large portion of the Group's annual machine replacement for the prior year was accelerated to take place during the six months ended 30 September 2015, while for current year, a majority of which was scheduled to take place in the second half of the year.

Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥74 million, or 3.1% from ¥2,354 million for the six months ended 30 September 2015 to ¥2,280 million for the same period in 2016 mainly due to the decrease in advertising and recruitment expenses by ¥230 million, offset with the provision for impairment loss of ¥197 million.

Finance costs, net

Finance costs, net recorded a notable decrease of ¥41 million, or 12.2%, from ¥337 million for the six months ended 30 September 2015 to ¥296 million for the same period in 2016. The plunge was attributable to centralisation of borrowings from individual subsidiaries to the Company, allowing higher cost saving on borrowings.

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

Profit before income tax increased by 689.0%, from ¥73 million for the six months ended 30 September 2015 to ¥576 million for the same period in 2016, with net profit margin increased from 0.3% for the six months ended 30 September 2015 to 2.4% for the same period in 2016.

Profit attributable to shareholders of the Company increased from ¥42 million for the six months ended 30 September 2015 to ¥363 million for the same period in 2016, a 764.3% increase over the same period last year.

Basic earnings per share was ¥0.30 (30 September 2015 ¥0.04). The Board has declared an interim dividend of ¥0.09 (or HK$0.006) per share for the six months ended 30 September 2016 (30 September 2015: nil). The interim dividend will be payable on 30 December 2016 to the shareholders of the Company whose names appear on the register of members of the Company at close of business on 14 December 2016.

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 relied 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 difficulties in repaying its borrowings.

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

The table below sets forth the information regarding the cash and cash equivalents, bank deposits, bank borrowings, obligations under finance leases, working capital, total equity and gearing ratio of the Group as at 30 September 2016 and 31 March 2016, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2016 and 2015, respectively:

	As at 30 September 2016 ***¥ million***	As at 31 March 2016 *¥ million*
Cash and cash equivalents	**13,431**	12,310
Bank deposits	**374**	482
	13,805	12,792
Bank loans	**2,924**	3,627
Syndicated loans	**8,896**	9,123
Bonds	**–**	277
Obligations under finance leases	**5,889**	6,600
	17,709	19,627
Working capital	**7,806**	7,310
Total equity	**27,303**	27,097
Gearing ratio	**64.9%**	72.4%

	For the six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
Operating cash flows before movements in working capital	**2,299**	1,582

Net current assets of the Group totalled ¥7,806 million as at 30 September 2016 (31 March 2016: ¥7,310 million), and current ratio was 2.03 as at 30 September 2016 (31 March 2016: 1.88). As at 30 September 2016, there were cash and cash equivalents of ¥13,431 million (31 March 2016: ¥12,310 million), in which ¥12,405 million was denominated in Japanese Yen, ¥306 million was denominated in United States dollar and ¥720 million was denominated in Hong Kong dollar. The Group had total borrowings of ¥17,709 million (31 March 2016: ¥19,627 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥4,065 million (31 March 2016: ¥4,825 million).

The Group's bank borrowings during the current period comprised bank loans, syndicated loans and bonds. As at 30 September 2016, all bonds were repaid and the total bank borrowings amounted to ¥11,820 million (31 March 2016: ¥13,027 million). As at 30 September 2016, the average effective interest rates on bank borrowings ranged from 1.4% to 2.2% (31 March 2015: 1.1% to 2.3%) per annum. Approximately 6.3% of bank borrowings as at 30 September 2016 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS

As at 30 September 2016, the Group had one floating to fixed interest rate swap contract with a bank in Japan (i.e. the Group pays fixed interest rates and receive interests at floating rate). This interest rate swap contract was 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 2016, the loss on fair value for interest rate swap contracts amounted to ¥8 million.

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

GEARING RATIO

The gearing ratio, defined as the aggregate of interest-bearing loans and obligations under finance leases, divided by total equity, was 64.9% as at 30 September 2016 (31 March 2016: 72.4%). The decrease of 7.5% as compared with that as at 31 March 2016 was mainly due to decrease of total borrowings of ¥1,918 million and increase of total equity of ¥206 million.

CAPITAL EXPENDITURE

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

	For the six months ended 30 September	
	2016	2015
	¥ million	*¥ million*
Property, plant and equipment	**272**	2,390
Others	**3**	50
	275	2,440

CHARGES ON ASSETS

As at 30 September 2016, the carrying values of charged assets were as below:

	2016
	¥ million
Property, plant and equipment	**8,116**
Investment properties	**687**
Deposits and other receivables	**559**
	9,362

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2016 and 31 March 2016.

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

During the six months ended 30 September 2016, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this interim results announcement, 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 results announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had 1,368 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.

CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

During the six months ended 30 September 2016, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), with the exception for code provision A.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals.

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 its shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 30 September 2016. 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 2016.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's Annual Report 2016 are set out below:

Mr. Hiroaki KUMAMOTO resigned as an independent non-executive Director effective from 30 June 2016 in order to devote more time to his other professional commitments.

Mr. Hiroshi BANNAI was appointed as a non-executive Director effective from 29 June 2016.

Mr. Michio MINAKATA was appointed as an independent non-executive Director effective from 29 June 2016.

Mr. Yoshihiro KOIZUMI was appointed as an independent non-executive Director effective from 29 June 2016.

Other than the information disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.5B(1) of the Listing Rules.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the initial public offering in April 2015 amounted to approximately HK$339 million, of which HK$296 million was utilised up to the period ended 30 September 2016. The remaining net proceeds of HK$43 million will be used for the originally planned purposes as set out in the Company's prospectus dated 24 March 2015.

INTERIM DIVIDEND

The Board has declared an interim dividend of ¥0.09 (or HK$0.006) per share for the six months ended 30 September 2016 (30 September 2015: nil). The interim dividend will be payable on 30 December 2016 to the shareholders of the Company whose names appear on the register of members of the Company at close of business on 14 December 2016.

The exchange rate for the conversion of Japanese Yen to Hong Kong dollar for the dividend distributed to the shareholders of the Company in the currency other than Japanese Yen is based on the average currency rates prevailing five trading days immediately prior to 25 November 2016 (being 17 to 18 November 2016, 21 to 22 November 2016 and 24 November 2016).

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the unaudited condensed consolidated interim financial information and this interim results announcement for the six months ended 30 September 2016 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 2016 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ngch.co.jp), and the interim report of the Company for the six months ended 30 September 2016 will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Fukushima, Japan, 25 November 2016

As at the date of this announcement, the executive Director is Hisanori TANIGUCHI (also known as JEONG Seonggi); the non-executive Director is Hiroshi BANNAI; and the independent non-executive Directors are Hiroaki MORITA, Norio NAKAYAMA, Masaharu TOGO, Michio MINAKATA and Yoshihiro KOIZUMI.

* *for identification purpose only*