



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



## 2016/2017 INTERIM REPORT 中期報告

\* For identification purpose only 僅供識別

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# Corporate Profile

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

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

NIRAKU has a strong pachinko hall network with 56 halls stretching from Tokyo Metropolitan Area to Northeast Honshu, equipped with over 28,700 pachinko and pachislot machines serving customers in ten prefectures in Japan.

\* for identification purpose only

# Corporation Information and Information for Investors

## CORPORATION INFORMATION

<b>Executive Director</b>	Mr. Hisanori TANIGUCHI ( <i>Chairman</i> ) (also known as Mr. JEONG Seonggi)
<b>Non-Executive Director</b>	Mr. Hiroshi BANNAI
<b>Independent Non-Executive Directors</b>	Mr. Hiroaki MORITA Mr. Norio NAKAYAMA Mr. Masaharu TOGO Mr. Michio MINAKATA Mr. Yoshihiro KOIZUMI
<b>Audit Committee</b>	Mr. Michio MINAKATA ( <i>Committee Chairman</i> ) Mr. Hiroaki MORITA Mr. Hiroshi BANNAI
<b>Remuneration Committee</b>	Mr. Norio NAKAYAMA ( <i>Committee Chairman</i> ) Mr. Hiroaki MORITA Mr. Hisanori TANIGUCHI
<b>Nomination Committee</b>	Mr. Hiroaki MORITA ( <i>Committee Chairman</i> ) Mr. Yoshihiro KOIZUMI Mr. Hisanori TANIGUCHI
<b>INFORMATION FOR INVESTORS</b>	
<b>Principal Bankers</b>	Mizuho Bank, Ltd Sumitomo Mitsui Bank Corporation The Toho Bank, Ltd.
<b>Auditor</b>	PricewaterhouseCoopers
<b>Compliance Adviser</b>	Shenwan Hongyuan Capital (H.K.) Limited
<b>Legal Adviser</b>	Deacons
<b>Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
<b>Principal Place of Business in Hong Kong</b>	505, 5/F Hutchison House, 10 Harcourt Road, Central, Hong Kong
<b>Headquarter in Japan and Registered Office</b>	1-1-39 Hohaccho Koriyama-shi, Fukushima, Japan 963-8811
<b>Stock Code</b>	1245
<b>Investor and Media Relations Consultant</b>	Strategic Financial Relations Limited
<b>Website</b>	<a href="http://www.ngch.co.jp">www.ngch.co.jp</a>
<b>Investor Relation Inquiry</b>	e-mail: <a href="mailto:niraku@sprg.com.hk">niraku@sprg.com.hk</a>

# Financial and Operational Highlights

The following table summarises the results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2016 and 2015.

	For the six months ended 30 September			
	2016		2015	
	¥ million	HK\$ million	¥ million	HK\$ million
Gross pay-ins	<b>74,057</b>	<b>5,670</b>	80,218	5,192
Gross pay-outs	<b>(59,617)</b>	<b>(4,564)</b>	(64,905)	(4,201)
Revenue from pachinko and pachislot business	<b>14,440</b>	<b>1,106</b>	15,313	991
Other revenue	<b>407</b>	<b>31</b>	400	26
Revenue	<b>14,847</b>	<b>1,137</b>	15,713	1,017
Hall operating expenses	<b>(12,000)</b>	<b>(919)</b>	(13,261)	(858)
Administrative and other operating expenses	<b>(2,280)</b>	<b>(175)</b>	(2,354)	(152)
Profit before income tax	<b>576</b>	<b>44</b>	73	5
Profit attributable to the shareholders of the Company	<b>363</b>	<b>28</b>	42	3
Earnings per share (expressed in Japanese Yen or Hong Kong dollar)	<b>0.30</b>	<b>0.020</b>	0.04	0.003
Revenue margin	<b>19.5%</b>	–	19.1%	–
Net profit margin	<b>2.4%</b>	–	0.3%	–

	As at 30 September 2016		As at 31 March 2016	
	¥ million	HK\$ million	¥ million	HK\$ million
Current assets	<b>15,403</b>	<b>1,179</b>	15,597	1,073
Current liabilities	<b>7,597</b>	<b>582</b>	8,287	570
Net current assets	<b>7,806</b>	<b>597</b>	7,310	503
Total assets	<b>50,637</b>	<b>3,877</b>	52,257	3,596
Total assets less current liabilities	<b>43,040</b>	<b>3,295</b>	43,970	3,026
Gearing ratio	<b>64.9%</b>	–	72.4%	–

# 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. ¥13.06 to HK\$1.00, the exchange rate prevailing on 30 September 2016 (i.e. the last business day in September 2016);
2. ¥15.45 to HK\$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015);
3. ¥14.53 to HK\$1.00, the exchange rate prevailing on 31 March 2016 (i.e. the last business day in March 2016);

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 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 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 response 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 direct impact to customer visits, in order to drive higher traffic. These measures have seen a proven success in increasing revenue margin and machine utilisation rate for the six months ended 30 September 2016.

# Management Discussion and Analysis

	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 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.



# Management Discussion and Analysis

## 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 report, 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.

# Management Discussion and Analysis

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 as a result of increase in customer turnover.

## 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.

# 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 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:

	<b>As at 30 September 2016 ¥ million</b>	As at 31 March 2016 ¥ million
Cash and cash equivalents	<b>13,431</b>	12,310
Bank deposits	<b>374</b>	482
	<b>13,805</b>	12,792
Bank loans	<b>2,924</b>	3,627
Syndicated loans	<b>8,896</b>	9,123
Bonds	–	277
Obligations under finance leases	<b>5,889</b>	6,600
	<b>17,709</b>	19,627
Working capital	<b>7,806</b>	7,310
Total equity	<b>27,303</b>	27,097
Gearing ratio	<b>64.9%</b>	72.4%
	<b>For the six months ended 30 September 2016 ¥ million</b>	2015 ¥ million
Operating cash flows before movements in working capital	<b>2,299</b>	1,582

# Management Discussion and Analysis

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
	<b>275</b>	<b>2,440</b>

# Management Discussion and Analysis

## 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
	<hr/> 9,362

## CONTINGENT LIABILITIES

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

## CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 September 2016 and 31 March 2016 are set out in Note 21 to the condensed consolidated interim financial information.

## 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 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 2016, the Group had 1,368 employees. The remuneration policy of the Group (including those for directors of the Company (the "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.

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE

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 leader 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.

# Corporate Governance and Other Information

## 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 2016, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Hisanori TANIGUCHI (谷口久徳)* (also known as Mr. JEONG Seonggi)	Beneficial owner, interest of controlled corporation <sup>(1)</sup>	224,480,460 common Shares	18.77%

Notes:

- (1) The interests held by Hisanori TANIGUCHI (谷口久徳)\* (also known as Mr. JEONG Seonggi) shown above include the 212,980,460 Shares held in his own name for his own benefit and the 11,500,000 Shares held by Densho Limited\* (有限会社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by him.
- (2) All interests stated are long positions.
- (3) There were 1,195,850,460 Shares in issue as at 30 September 2016.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Corporate Governance and Other Information

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

As at 30 September 2016, 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 or 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 <sup>(1)</sup>	223,790,000 common Shares	18.71%
Masataka TANIGUCHI (谷口晶貴)	Beneficial owner; interest of controlled corporation; custodian <sup>(2)</sup>	151,570,000 common Shares	12.67%
Yoshihiro TEI (鄭義弘)* (also known as JEONG Jungwung)	Beneficial owner; interest of controlled corporation; custodian <sup>(3)</sup>	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 <sup>(4)</sup>	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 <sup>(4)</sup>	229,137,500 common Shares	19.16%
SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行)	Trustee <sup>(1), (2), (3), (4)</sup>	229,137,500 common Shares	19.16%
Niraku Employee Stock Ownership Association* (ニラク従業員持株会)	Custodian <sup>(5)</sup>	61,870,000 common Shares	5.17%
Choi Jung Ae	Interest of a spouse <sup>(6)</sup>	224,480,460 common Shares	18.77%
Hideko TANIGUCHI (谷口秀子)	Interest of a spouse <sup>(7)</sup>	223,790,000 common Shares	18.71%
Eiko TANIGUCHI (谷口栄子)	Interest of a spouse <sup>(8)</sup>	151,570,000 common Shares	12.67%
JEONG Kyeonghae	Interest of a spouse <sup>(9)</sup>	98,440,000 common Shares	8.23%
Jeong Bak Soo	Interest of a child <sup>(10)</sup>	224,480,460 common Shares	18.77%



# Corporate Governance and Other Information

	Capacity/Nature of interest	Total	Approximate % of shareholding
Jeong Soo Hun	Interest of a child <sup>(10)</sup>	224,480,460 common Shares	18.77%
Jeong Yoo Ryoung	Interest of a child <sup>(10)</sup>	224,480,460 common Shares	18.77%
Jeong Yu Ri	Interest of a child <sup>(10)</sup>	224,480,460 common Shares	18.77%
JEONG Jangyeong (also known as Masahide TEI (鄭將英)*)	Interest of a child <sup>(11)</sup>	98,440,000 common Shares	8.23%
JEONG Kyeongheon (also known as Akinori TEI (鄭敬憲)*)	Interest of a child <sup>(11)</sup>	98,440,000 common Shares	8.23%
Okada Holdings Limited	Beneficial owner <sup>(12)</sup>	80,500,000 common Shares	6.73%
Universal Entertainment Corporation	Beneficial owner <sup>(12)</sup>	80,500,000 common Shares	6.73%
Tiger Resort Asia Limited	Beneficial owner <sup>(12)</sup>	80,500,000 common Shares	6.73%
Mars Engineering Corporation	Beneficial owner	71,104,000 common Shares	5.95%

## Notes:

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

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

## Corporate Governance and Other Information

- (3) The interests held by Mr. Yoshihiro TEI (鄭義弘)\* (also known as JEONG Jungwung) shown above include: (i) 33,580,000 Shares held in his own name for his own benefit; (ii) 11,500,000 Shares held by Daiki Limited\* (有限会社大喜), a company collectively wholly-owned by his children, the voting rights of which are exercisable by Mr. Yoshihiro TEI (鄭義弘)\* (also known as JEONG Jungwung); and (iii) 53,360,000 Shares held by the YT Family Trust for the benefit of his children, namely Mr. Akinori TEI (鄭敬憲)\* (also known as JEONG Kyeongheon) and Mr. Masahide TEI (鄭將英)\* (also known as JEONG Jangyeong). SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行) is the trustee and assignee\* (受託者) of the YT Family Trust and Mr. Yoshihiro TEI (鄭義弘)\* (also known as JEONG Jungwung) is entitled to exercise the voting rights attached to the Shares under the YT Family Trust. The interests under the YT Family Trust are equally distributed among the two beneficiaries under the YT Family Trust.
- (4) Sumitomo Mitsui Financial Group, Inc.\* (株式会社三井住友フィナンシャルグループ) holds Sumitomo Mitsui Banking Corporation\* (株式会社三井住友銀行), which holds SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行). Accordingly, each of Sumitomo Mitsui Banking Corporation\* (株式会社三井住友銀行) and Sumitomo Mitsui Financial Group, Inc.\* (株式会社三井住友フィナンシャルグループ) is deemed to be interested in such 229,137,500 Shares held by SMBC Trust Bank Ltd.\* (株式会社SMBC信託銀行).
- (5) Niraku Employee Stock Ownership Association\* (ニラク従業員持株会) (the "ESOA") is the registered owner of 61,870,000 Shares held for the benefit of the members of the ESOA, who are current employees of our Group. The voting rights attached to the Shares held by the ESOA are exercisable by its president\* (理事長), currently Mr. Takashi ENDO (遠藤孝), who is not a core connected person of our Company.
- (6) Ms. Choi Jung Ae is the spouse of our Chairman and is therefore deemed to be interested in the Shares that our Chairman is interested in under the SFO.
- (7) Mrs. Hideko TANIGUCHI (谷口秀子) is the spouse of Mr. Tatsuo TANIGUCHI (谷口龍雄) and is therefore deemed to be interested in the Shares that Mr. Tatsuo TANIGUCHI (谷口龍雄) is interested in under the SFO.
- (8) Mrs. Eiko TANIGUCHI (谷口栄子) is the spouse of Mr. Masataka TANIGUCHI (谷口晶貴) and is therefore deemed to be interested in the Shares that Mr. Masataka TANIGUCHI (谷口晶貴) is interested in under the SFO.
- (9) Ms. Jeong Kyeonghae is the spouse of Mr. Yoshihiro TEI (鄭義弘)\* (also known as JEONG Jungwung) and is therefore deemed to be interested in the Shares that Mr. Yoshihiro TEI (鄭義弘)\* (also known as JEONG Jungwung) is interested in under the SFO.
- (10) Jeong Bak Soo, Jeong Soo Hun, Jeong Yoo Ryoung and Jeong Yu Ri are the children of our Chairman under the age of 18 and are therefore deemed to be interested in the Shares that our Chairman is interested in under the SFO.
- (11) Ms. JEONG Jangyeong (also known as Masahide TEI (鄭將英)\* and Mr. JEONG Kyeongheon (also known as Akinori TEI (鄭敬憲)\* are the children of Mr. Yoshihiro TEI (鄭義弘)\* (also known as Mr. JEONG Jungwung) under the age of 18 and are therefore deemed to be interested in the Shares that Mr. Yoshihiro TEI (鄭義弘)\* (also known as Mr. JEONG Jungwung) is interested in under the SFO. In addition, they are the beneficiaries under the YT Family Trust.
- (12) Okada Holdings Limited indirectly holds 74.21% interest in Universal Entertainment Corporation, which directly holds Tiger Resort Asia Limited. Accordingly, each of the Universal Entertainment Corporation and Okada Holdings Limited is deemed to be interested in such 80,500,000 Shares held by Tiger Resort Asia Limited.
- (13) All interests stated are long positions.
- (14) There were 1,195,850,460 Shares in issue as at 30 September 2016.

Save as disclosed above, as at 30 September 2016, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

# Corporate Governance and Other Information

## 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. Please refer to the Company's Annual Report 2016 and the Circular dated 30 May 2016 for further details on the Directors.

## 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 report 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".

\* 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 44, which comprises the condensed consolidated statement of financial position of 株式会社ニラク・ジー・シー・ホールディングス NIRAKU GC HOLDINGS, INC\* (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2016 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

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# Report on Review of Interim Financial Information

## CONCLUSION

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

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 25 November 2016

\* *For identification purpose only*

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Note	Six months ended 30 September	
		2016 ¥ million (Unaudited)	2015 ¥ million (Unaudited)
Revenue	6	14,847	15,713
Other income	7	421	512
Other losses, net	7	(116)	(200)
Hall operating expenses	8	(12,000)	(13,261)
Administrative and other operating expenses	8	(2,280)	(2,354)
<b>Operating profit</b>		<b>872</b>	<b>410</b>
Finance income		27	27
Finance costs		(323)	(364)
Finance costs, net	9	(296)	(337)
<b>Profit before income tax</b>		<b>576</b>	<b>73</b>
Income tax expense	10	(213)	(31)
<b>Profit for the period attributable to shareholders of the Company</b>		<b>363</b>	<b>42</b>
<b>Earnings per share for profit attributable to shareholders of the Company</b>			
— Basic and diluted (expressed in Japanese Yen per share)	11	0.30	0.04
<b>Other comprehensive loss</b>			
Change in value of financial assets through other comprehensive income		(37)	(261)
<b>Total comprehensive income/(loss) for the period attributable to the shareholders of the Company</b>		<b>326</b>	<b>(219)</b>

The notes on pages 27 to 44 are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Financial Position

As at 30 September 2016

	Note	30 September 2016 ¥ million (Unaudited)	31 March 2016 ¥ million (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	27,319	28,470
Investment properties	13	687	697
Intangible assets	13	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
		<b>35,234</b>	36,660
<b>Current assets</b>			
Inventories		9	413
Trade receivables	14	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
		<b>15,403</b>	15,597
<b>Total assets</b>		<b>50,637</b>	52,257

The notes on pages 27 to 44 are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Financial Position (CONTINUED)

As at 30 September 2016

	Note	30 September 2016 ¥ million (Unaudited)	31 March 2016 ¥ million (Audited)
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	15	3,000	3,000
Reserves	16	24,303	24,097
<b>Total equity</b>		<b>27,303</b>	<b>27,097</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	18	9,079	9,732
Obligations under finance leases	19	4,565	5,070
Provisions and other payables		2,072	2,057
Derivative financial instruments		21	14
		<b>15,737</b>	<b>16,873</b>
<b>Current liabilities</b>			
Trade payables	17	125	132
Borrowings	18	2,741	3,295
Obligations under finance leases	19	1,324	1,530
Accruals, provisions and other payables		3,262	3,326
Derivative financial instruments		2	2
Current income tax liabilities		143	2
		<b>7,597</b>	<b>8,287</b>
<b>Total liabilities</b>		<b>23,334</b>	<b>25,160</b>
<b>Total equity and liabilities</b>		<b>50,637</b>	<b>52,257</b>

The notes on pages 27 to 44 are an integral part of this condensed consolidated interim financial information.



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Attributable to shareholders of the Company						
	Share capital ¥ million	Capital surplus (Note 16(a)) ¥ million	Capital reserve (Note 16(b)) ¥ million	Legal reserve (Note 16(c)) ¥ million	Investment revaluation reserve (Note 16(d)) ¥ million	Retained earnings ¥ million	Total ¥ million
<b>Balance at 1 April 2015</b>	10	11,734	(16,028)	107	411	26,622	22,856
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	42	42
<b>Other comprehensive (loss)/income</b>							
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(297)	36	(261)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(297)	78	(219)
Issue of shares (Note 15)	2,990	2,497	-	-	-	-	5,487
Transaction costs attributable to issuance of shares	-	(277)	-	-	-	-	(277)
Dividend	-	-	-	-	-	(909)	(909)
<b>Total transaction with shareholders</b>	2,990	2,220	-	-	-	(909)	4,301
<b>Balances at 30 September 2015 (Unaudited)</b>	3,000	13,954	(16,028)	107	114	25,791	26,938
<b>Balance at 1 April 2016</b>	3,000	13,954	(16,028)	107	134	25,930	27,097
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	363	363
<b>Other comprehensive (loss)/income</b>							
Financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(37)	-	(37)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(37)	363	326
Dividend	-	-	-	-	-	(120)	(120)
<b>Total transactions with shareholders</b>	-	-	-	-	-	(120)	(120)
<b>Balance at 30 September 2016 (Unaudited)</b>	3,000	13,954	(16,028)	107	97	26,173	27,303

The notes on pages 27 to 44 are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Note	Six months ended 30 September	
		2016 ¥ million (Unaudited)	2015 ¥ million (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		2,931	1,814
Interest paid		(278)	(314)
Income tax received/(paid)		728	(683)
Net cash generated from operating activities		3,381	817
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(109)	(852)
Purchase of intangible assets		(3)	(50)
Proceeds from disposal of financial assets at fair value		100	–
Proceeds from bank deposits with maturity over 3 months		1,672	–
Placement of bank deposits with maturity over 3 months		(1,534)	(31)
Placement of long-term bank deposits		(30)	(30)
Deposit for acquisition of restaurants (Note)		(146)	–
Release of restricted bank deposits		–	300
Interest received		1	1
Dividend received		30	34
Net cash used in investing activities		(19)	(628)
<b>Cash flows from financing activities</b>			
Proceeds from issue of new shares	15	–	5,487
Transaction costs directly attributable to issue of new shares		–	(277)
Repayment of obligations under finance leases		(869)	(1,257)
Proceeds from bank borrowings		1,850	1,760
Repayment of bank borrowings		(3,102)	(3,725)
Dividends paid		(120)	(909)
Net cash (used in)/generated from financing activities		(2,241)	1,079
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		12,310	9,480
Cash and cash equivalents at end of the period		13,431	10,748

# Condensed Consolidated Statement of Cash Flows (CONTINUED)

For the six months ended 30 September 2016

Note: On 19 May 2016, the Company entered into the sales and purchase agreement (the "Agreement") with Coastal Heritage Limited (the "Seller") to purchase 66.7% of equity interest in Nha Trang Holdings Limited, a company engaged in Vietnamese and pinot duck restaurants operation, at an aggregate consideration of HK\$100 million. During the period ended 30 September 2016, the Group paid a deposit of HK\$10 million (approximately ¥146 million) to the Seller. Pursuant to the announcement dated 15 June 2016, the Group has terminated the Agreement with the Seller. As at 30 September 2016, the Group is undergoing the process of claiming the full amount of the deposit.

## Non-cash transactions:

- (a) For the six months ended 30 September 2016, certain property, plant and equipment amounting to ¥101 million were purchased under finance leases (For the six months ended 30 September 2015: ¥1,934 million).
- (b) For the six months ended 30 September 2016, certain obligations under finance leases amounting to ¥71 million (For the six months ended 30 September 2015: ¥103 million) were settled through reduction of rental prepayments.

The notes on pages 27 to 44 are an integral part of this condensed consolidated interim financial information.

# 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.

# Notes to the Condensed Consolidated Interim Financial Information

## 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 2016.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2016.

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

### 5.2 Liquidity risk

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

# Notes to the Condensed Consolidated Interim Financial Information

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation

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

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

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

	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million	Total ¥ million
<b>As at 30 September 2016 (Unaudited)</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Unlisted securities	–	106	–	106
Financial assets at fair value through other comprehensive income				
— Listed securities	831	–	–	831
— Unlisted securities	–	–	130	130
	<b>831</b>	<b>106</b>	<b>130</b>	<b>1,067</b>
<b>Liabilities</b>				
Derivative financial liabilities				
— Interest rate swaps	–	23	–	23
<b>As at 31 March 2016 (Audited)</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Debt securities	–	100	–	100
— Unlisted securities	–	106	–	106
Financial assets at fair value through other comprehensive income				
— Listed securities	883	–	–	883
— Unlisted securities	–	–	130	130
	<b>883</b>	<b>206</b>	<b>130</b>	<b>1,219</b>
<b>Liabilities</b>				
Derivative financial liabilities				
— Interest rate swaps	–	16	–	16

# Notes to the Condensed Consolidated Interim Financial Information

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation (Continued)

#### (a) *Financial instruments in level 1*

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

#### (b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 September 2016, instruments included in level 2 comprise bonds, 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.

#### (c) *Financial instruments in level 3*

As at 30 September 2016, the Group valued its investment in the unlisted private company's equity shares based on its net asset value as the Group has determined that the reported net asset value represents fair value at the end of the reporting period.

# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
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.



# Notes to the Condensed Consolidated Interim Financial Information

## 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 2016 and 2015 are as follows:

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

# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

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

# Notes to the Condensed Consolidated Interim Financial Information

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

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

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

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.

# Notes to the Condensed Consolidated Interim Financial Information

## 7 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 September	
	2016 ¥ million (Unaudited)	2015 ¥ million (Unaudited)
<b>Other income</b>		
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
	<b>421</b>	<b>512</b>
<b>Other losses, net</b>		
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)
	<b>(116)</b>	<b>(200)</b>

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.

# Notes to the Condensed Consolidated Interim Financial Information

## 8 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(Unaudited)	(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
Provision for 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.

## 9 FINANCE COSTS, NET

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

# Notes to the Condensed Consolidated Interim Financial Information

## 10 INCOME TAX EXPENSE

	Six months ended 30 September	
	2016 ¥ million (Unaudited)	2015 ¥ million (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.

## 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 2016 and 2015.

	Six months ended 30 September	
	2016 (Unaudited)	2015 (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.

# Notes to the Condensed Consolidated Interim Financial Information

## 12 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 totalling ¥108 million for the six months ended 30 September 2016 (30 September 2015: nil).

## 13 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).

## 14 TRADE RECEIVABLES

	<b>30 September 2016 ¥ million (Unaudited)</b>	31 March 2016 ¥ million (Audited)
Trade receivables	<b>72</b>	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:

	<b>30 September 2016 ¥ million (Unaudited)</b>	31 March 2016 ¥ million (Audited)
Less than 30 days	<b>72</b>	64

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

# Notes to the Condensed Consolidated Interim Financial Information

## 15 SHARE CAPITAL

	Number of shares	Share Capital ¥ million
<b>Ordinary shares, issued and fully paid:</b>		
Opening balance 1 April 2015	895,850,460	10
Issue of new shares (Note)	300,000,000	2,990
<hr/>		
At 30 September 2015, 1 April 2016 and 30 September 2016	1,195,850,460	3,000

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

## 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.



# Notes to the Condensed Consolidated Interim Financial Information

## 17 TRADE PAYABLES

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

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

## 18 BORROWINGS

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

# Notes to the Condensed Consolidated Interim Financial Information

## 19 OBLIGATIONS UNDER FINANCE LEASES

	30 September 2016 ¥ million (Unaudited)	31 March 2016 ¥ million (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
	<b>7,130</b>	7,970
Future finance charges on finance leases	<b>(1,241)</b>	(1,370)
	<b>5,889</b>	6,600

The present values of finance lease liabilities are as below:

	30 September 2016 ¥ million (Unaudited)	31 March 2016 ¥ million (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
	<b>5,889</b>	6,600
Total obligations under finance leases	<b>5,889</b>	6,600
Less: Amount included in current liabilities	<b>(1,324)</b>	(1,530)
	<b>4,565</b>	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.

# Notes to the Condensed Consolidated Interim Financial Information

## 20 CONTINGENCIES

As at 30 September 2016, the Group did not have any significant contingent liabilities (31 March 2016: Same).

## 21 COMMITMENTS

### (a) Capital commitments

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

	<b>30 September 2016 ¥ million (Unaudited)</b>	31 March 2016 ¥ million (Audited)
Contracted but not provided for Purchase of property, plant and equipment	<b>40</b>	40

### (b) Operating lease commitments

#### (i) As a lessee

As at 30 September 2016, 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:

	<b>30 September 2016 ¥ million (Unaudited)</b>	31 March 2016 ¥ million (Audited)
No later than one year	<b>1,083</b>	1,083
Later than one year and no later than five years	<b>3,673</b>	3,771
Over five years	<b>5,543</b>	6,016
	<b>10,299</b>	10,870

#### (ii) As a lessor

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

	<b>30 September 2016 ¥ million (Unaudited)</b>	31 March 2016 ¥ million (Audited)
No later than one year	<b>36</b>	38

# Notes to the Condensed Consolidated Interim Financial Information

## 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 2016 and 2015:

	Six months ended 30 September	
	2016	2015
	¥ million	¥ million
	(Unaudited)	(Unaudited)
<b>Service fee expenses</b>		
Niraku USA, Inc.	17	–

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

# Notes to the Condensed Consolidated Interim Financial Information

## 22 RELATED PARTY TRANSACTIONS (CONTINUED)

### (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	
	2016	2015
	¥ million	¥ million
	(Unaudited)	(Unaudited)
Directors' fees	97	100
Basic salaries, allowances and other benefits in kind	–	–
Employee's contribution to pension scheme	2	2
	<b>99</b>	<b>102</b>



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