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

(Incorporated in Japan with limited liability)

(Stock Code: 1245)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

HIGHLIGHTS

- Gross pay-ins were ¥80,218 million (or HK\$5,192 million[#]), recording a decrease of 11.8% as compared to the same period last year;
- Revenue was ¥15,713 million (or HK\$1,017 million[#]), recording an increase of 0.9% as compared to the same period last year;
- Profit before income tax was ¥73 million (or HK\$5 million[#]), recording a decrease of 95.5% as compared to the same period last year;
- Profit for the period attributable to shareholders of the Company was ¥42 million (or HK\$3 million[#]), recording a decrease of 95.5% as compared to the same period last year;
- Basic earnings per share of the Company was ¥0.04 (or HK\$0.003[#]);
- The Board has resolved not to declare an interim dividend; and
- Number of pachinko and pachislot halls expanded to 55 halls as at 30 September 2015, with a net increase of 2 halls as compared to the same period last year.

[#] Translated into Hong Kong dollar at the rate of ¥15.45 to HK\$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015).

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 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”) would like to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 together with the comparative figures for the six months ended 30 September 2014 as follows:

Financial Highlights

	For the six months ended 30 September			
	2015		2014	
	¥ million	HK\$ million	¥ million	HK\$ million
Gross pay-ins				
– Suburban halls	75,418	4,881	84,175	5,970
– Urban halls	4,800	311	6,814	483
Gross pay-outs				
– Suburban halls	61,062	3,952	70,207	4,979
– Urban halls	3,843	249	5,591	397
Revenue from pachinko and pachislot business				
– Suburban halls	14,356	929	13,968	991
– Urban halls	957	62	1,223	86
Other revenue	400	26	381	27
Revenue	15,713	1,017	15,572	1,104
Hall operating expenses	(13,261)	(858)	(11,644)	(826)
Administrative and other operating expenses	(2,354)	(152)	(2,808)	(199)
Profit before income tax	73	5	1,627	115
Profit attributable to the shareholders of the Company	42	3	937	66
Earnings per share (expressed in Japanese Yen or Hong Kong dollar)	0.04	0.003	1.05	0.07

	For the six months ended 30 September	
	2015	2014
Revenue margin		
— Suburban	19.0%	16.6%
— Urban	19.9%	17.9%
Net profit margin	0.3%	6.0%

	As at 30 September 2015		As at 31 March 2015	
	¥ million	HK\$ million	¥ million	HK\$ million
Current assets	15,088	977	14,734	952
Current liabilities	9,067	587	11,120	719
Net current assets	6,021	390	3,614	234
Total assets	51,741	3,349	50,977	3,295
Total assets less current liabilities	42,674	2,762	39,857	2,576

	For the six months ended 30 September	
	2015	2014
Number of halls		
— Suburban	48	44
— Urban	7	9
Total	55	53

CURRENCY TRANSLATIONS

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

1. ¥15.45 to HK\$1.00, the exchange rate prevailing on 30 September 2015 (i.e. the last business day in September 2015);
2. ¥14.10 to HK\$1.00, the exchange rate prevailing on 30 September 2014 (i.e. the last business day in September 2014); or
3. ¥15.47 to HK\$1.00, the exchange rate prevailing on 31 March 2015 (i.e. the last business day in March 2015).

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.

FINANCIAL REVIEW

Gross pay-ins

Both suburban and urban halls recorded a decline in gross pay-ins over the same period last year. Despite the net increase in 2 halls as compared with previous period, the gross pay-ins decreased by ¥10,771 million, or 11.8%, from ¥90,989 million for the six months ended 30 September 2014 to ¥80,218 million for the six months ended 30 September 2015. It was mainly due to decrease in player traffic which led to decrease in 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, noted a decrease in both suburban and urban halls by ¥10,893 million, or 14.4%, from ¥75,798 million for the six months ended 30 September 2014 to ¥64,905 million for the six months ended 30 September 2015 generally followed the trend of respective gross pay-ins, together with decrease in payout ratio with the attempt to increase revenue margin.

Revenue and revenue margin from pachinko and pachislot business

Revenue from pachinko and pachislot business recorded a slight increase by ¥122 million, or 0.8%, from ¥15,191 million for the six months ended 30 September 2014 to ¥15,313 million for the six months ended 30 September 2015. The increase was resulted from the net increase of 2 pachinko and pachislot halls in current period which generated additional revenue of ¥521 million, offset with the decrease in revenue of existing halls by ¥399 million mainly due to decrease in gross pay-ins as a result of reduction in hall traffic.

The revenue margin increased by 2.4% from 16.6% for the six months ended 30 September 2014 to 19.0% for the same period in current year. Such increase was mainly attributable to the decrease in pay-out ratio which helped to improve the revenue from pachinko and pachislot hall operations to a 0.8% increase as compared to the six months ended 30 September 2014. On the other hand, the gross pay-ins decreased by 11.8% for the six months ended 30 September 2015.

Other revenue

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

Vending machine income dropped from ¥301 million for the six months ended 30 September 2014 to ¥295 million for the same period in 2015 resulted from fall in hall traffic, as a portion of the vending machine income was from the sharing of gross revenue of such vending machines.

Income from hotel operation grew steadily from ¥80 million for the six months ended 30 September 2014 to ¥85 million for the same period in 2015 as a result of increase in average occupancy rate from 82.2% for the six months ended 30 September 2014 to 84.7% for the same period in 2015.

The first restaurant under the brand 'LIZARRAN' was opened in October 2014. Revenue derived from this restaurant amounted to ¥20 million for the six months ended 30 September 2015.

Hall operating expenses

Major components of hall operating expenses are pachinko and pachislot machine expenses, staff cost for hall staff and rental expenses, amounting to ¥5,368 million, ¥2,607 million and ¥1,399 million, respectively, for the six months ended 30 September 2015 (30 September 2014: ¥4,482 million, ¥2,417 million and ¥1,323 million, respectively).

Hall operating expenses increased by ¥1,617 million, or 13.9%, from ¥11,644 million for the six months ended 30 September 2014 to ¥13,261 million for the same period in 2015, mainly due to the increase in machine purchases for 2 new halls and machine replacements for existing halls to increase hall traffic as the management noticed a trend of decreasing customer traffic from April 2015 onwards.

Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥454 million, or 16.2%, from ¥2,808 million for the six months ended 30 September 2014 to ¥2,354 million for the same period in 2015, primarily due to the decrease in staff cost of ¥552 million, netted with the expenses incurred in the initial public offering of ¥84 million.

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

Profit before income tax for the period decreased by 95.5%, from ¥1,627 million for the six months ended 30 September 2014 to ¥73 million for the same period in 2015, with net profit margin decreased from 6.0% for the six months ended 30 September 2014 to 0.3% for the same period in 2015.

Profit attributable to shareholders of the Company decreased from ¥937 million for the six months ended 30 September 2014 to ¥42 million for the same period in 2015, a 95.5% drop over the same period last year.

Basic earnings per share was ¥0.04 (30 September 2014: ¥1.05). The Board has resolved not to declare an interim dividend for the six months ended 30 September 2015 (30 September 2014: nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2015, the Group has recorded an increase of revenue of ¥141 million as compared to the same period in prior year. Among which, ¥122 million was derived from pachinko and pachislot business. Nevertheless, the Group witnessed a significant drop in customer traffic in the pachinko halls, represented by the decrease in gross pay-ins of the Group by 11.8%, from ¥90,989 million to ¥80,218 million, despite the net increase of 2 halls compared to the same period last year. The Group believes that the drop in customer traffic in the Group's halls was mainly due to (i) the gradual contraction in market size of the pachinko entertainment market; and (ii) the revenue margin level of the Group (which is mainly a combination of the pay-out ratios offered and G-prize markup imposed) may drive some of the gaming-oriented customers away from the halls. The management considered that the current financial year will be a challenging year for the Group as the market size of the pachinko industry in 2015 is estimated to shrink by 3.2% against 2014 and the trend of contraction is expected to continue in 2016, according to the research issued by the Entertainment Business Institute released in November 2015.

To tackle the market trend of the pachinko industry, the Group will continue focusing on increasing its market share in Tohoku area, where the Group has strategic advantage as being the largest pachinko operator. In late April 2015, the Group opened 2 new halls, one in Ibaraki prefecture and the other in Gunma prefecture. Each of them was equipped with over 600 machines. During the six months ended 30 September 2015, these new halls generated ¥2,906 million of gross pay-ins to the Group. In the next financial year, the Group plans to open a mega hall in Tohoku area with over 1,000 machines, which will be the largest hall in the Group.

Further, in order to boost customer traffic, the Group has placed strong emphasis on machine replacement so as to provide a wider variety of machines displayed with popular animation, drama characters and various celebrities to attract customers who value the entertainment element of the pachinko game. The Company has decided to speed up the replacement of pachinko and pachislot machines that were originally scheduled to take place in the second half of the year. During the six months ended 30 September 2015, the Group has incurred an additional expense of ¥437 million in machine replacement as compared to the same period in previous year. As a result of this replacement strategy, the Group has seen a progressive rise in machine utilisation on a month-on-month basis during the six months ended 30 September 2015.

The Group endeavors to increase customer visits and maximise its revenue, and provide higher returns to investors. Going forward, the Group will continue expanding its pachinko hall network, providing wide range of machines with different displays to customers, monitoring the pay-out ratio of each store based on careful study of market situation, increasing the low-play cost machines watchfully according to changing market environment of each store. Nevertheless, the Group is always open to new business opportunities, including hospitality and entertainment industry.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, cash flow from operations and bank borrowings. The Group's daily operation was 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 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 2015 and 31 March 2015, and operating cash flows before movements in working capital of the Group for the six months ended 30 September 2015 and 2014, respectively:

	As at 30 September 2015 ¥ million	As at 31 March 2015 ¥ million
Cash and cash equivalents	10,748	9,480
Bank deposits	2,172	2,411
	<u>12,920</u>	<u>11,891</u>
Bank loans	7,232	8,036
Syndicated loans	5,526	6,578
Bonds	575	634
Obligations under finance leases	6,440	5,867
	<u>19,773</u>	<u>21,115</u>
Working capital	6,021	3,614
Total equity	26,938	22,856
Gearing ratio	73.4%	92.4%
	<u>73.4%</u>	<u>92.4%</u>
	For the six months ended	
	30 September	
	2015	2014
	¥ million	¥ million
Operating cash flows before movements in working capital	1,582	2,905
	<u>1,582</u>	<u>2,905</u>

Net current assets of the Group totalled ¥6,021 million as at 30 September 2015 (31 March 2015: ¥3,614 million), and current ratio was 1.66 as at 30 September 2015 (31 March 2015: 1.33). As at 30 September 2015, there were cash and cash equivalents of ¥10,748 million (31 March 2015: ¥9,480 million), in which ¥10,204 million was denominated in Japanese Yen, ¥346 million was denominated in United States dollar and ¥198 million was denominated in Hong Kong dollar. The Group had total borrowings of ¥19,773 million (31 March 2015: ¥21,115 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥5,731 million (31 March 2015: ¥5,816 million).

The Group's bank borrowings, comprising bank loans, syndicated loans and bonds, amounted to ¥13,333 million (31 March 2015: ¥15,248 million). As at 30 September 2015, the average effective interest rates on bank borrowings ranged from 2.0% to 2.5% (31 March 2015: 2.0% to 2.6%) per annum. Approximately 15.9% of bank borrowings as at 30 September 2015 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS

The Group entered into eleven floating to fixed interest rate swap contracts with four banks in Japan (i.e. the Group pays fixed interest rates and receive interests at floating rate) during the six months ended 30 September 2015. These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, by entering into floating to fixed interest rate swap contracts, the finance costs can be locked at fixed interest rates. For the six months ended 30 September 2015, the gain on fair value for interest rate swaps amounted to ¥7 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 73.4% as at 30 September 2015 (31 March 2015: 92.4%). The decrease of 19.0% as compared with that of the year ended 31 March 2015 was mainly due to decrease of total borrowings of ¥1,342 million and increase of total equity of ¥4,082 million.

CAPITAL EXPENDITURE

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

	As at 30 September 2015 ¥ million	As at 31 March 2015 ¥ million
Property, plant and equipment	2,390	3,555
Investment properties	–	20
Others	50	53
	<hr/> 2,440 <hr/>	<hr/> 3,628 <hr/>

CHARGES ON ASSETS

As at 30 September 2015, the carrying values of charged assets were as below:

	¥ million
Property, plant and equipment	8,339
Investment properties	674
Bank deposits	800
Deposits and other receivables	656
Other long term assets	40
	<hr/> 10,509 <hr/>

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2015 and 31 March 2015.

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

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had 1,521 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 our employees.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
	Note	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Revenue	5	15,713	15,572
Other income	6	512	801
Other losses, net	6	(200)	(25)
Hall operating expenses	7	(13,261)	(11,644)
Administrative and other operating expenses	7	(2,354)	(2,808)
Operating profit		410	1,896
Finance income		27	88
Finance costs		(364)	(357)
Finance costs, net	8	(337)	(269)
Profit before income tax		73	1,627
Income tax expense	9	(31)	(690)
Profit for the period attributable to shareholders of the Company		42	937
Earnings per share for profit attributable to shareholders of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	10	0.04	1.05
Other comprehensive loss			
Change in value of financial assets through other comprehensive income		(261)	(39)
Total comprehensive (loss)/income for the period attributable to the shareholders of the Company		(219)	898

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	28,329	27,126
Investment properties	674	681
Intangible assets	221	189
Prepayments, deposits and other receivables	4,258	4,772
Financial assets at fair value through profit or loss	100	201
Financial assets at fair value through other comprehensive income	989	1,378
Deferred income tax assets	1,927	1,771
Long-term bank deposits	155	125
	36,653	36,243
Current assets		
Inventories	34	719
Trade receivables	64	52
Prepayments, deposits and other receivables	1,824	1,602
Current income tax recoverable	201	495
Financial assets at fair value through profit or loss	200	100
Pledged bank deposits and bank deposits with maturity over 3 months	2,017	2,286
Cash and cash equivalents	10,748	9,480
	15,088	14,734
Total assets	51,741	50,977

	30 September 2015	31 March 2015
Note	¥ million (Unaudited)	¥ million (Audited)
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	3,000	10
Reserves		
— Proposed final dividend	—	909
— Others	23,938	21,937
	<u>26,938</u>	<u>22,856</u>
Total equity	26,938	22,856
LIABILITIES		
Non-current liabilities		
Borrowings	14 9,061	11,318
Obligations under finance leases	15 4,981	3,981
Provisions and other payables	1,674	1,676
Derivative financial instruments	20	26
	<u>15,736</u>	<u>17,001</u>
Current liabilities		
Trade payables	13 134	106
Borrowings	14 4,272	3,930
Obligations under finance leases	15 1,459	1,886
Accruals, provisions and other payables	3,171	4,209
Derivative financial instruments	13	15
Current income tax liabilities	18	974
	<u>9,067</u>	<u>11,120</u>
Total liabilities	24,803	28,121
Total equity and liabilities	51,741	50,977
Net current assets	6,021	3,614
Total assets less current liabilities	42,674	39,857

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 and hotel operations (the “Listing Business”) in Japan. During the six months ended 30 September 2015, the Group also engaged in restaurant operation 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 (the “Listing”).

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

2 REORGANISATION AND BASIS OF PRESENTATION

In preparation for the Listing, the Company and other companies now comprising the Group had undergone a reorganisation (the “Reorganisation”) pursuant to which the Company has become the holding company of the Group.

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried out by Niraku Corporation, Nexia Inc. and Niraku Merrist Corporation (collectively the “Operating Companies”). Before the completion of the Reorganisation, the Operating Companies were collectively controlled by Mr. Hisanori Taniguchi (the “Chairman”) and (1) a group of natural persons, namely Mr. Tatsuo Taniguchi, Mr. Masataka Taniguchi, Mr. Yoshihiro Tei, Mr. Mitsuhiro Tei⁽¹⁾, Mr. Motohiro Tei⁽¹⁾, Ms. Eijun Tei⁽¹⁾, Ms. Rika Tei⁽¹⁾ and Ms. Noriko Kaneshiro, each being a family member of the Chairman; and (2) corporate entities, namely Jukki Limited, Denso Limited, Echo Limited, Daiki Limited, Hokuyo Kanko Limited and KAWASHIMA Co., Ltd., each being an entity controlled by the family members of the Chairman (collectively, the “Controlling Shareholders”) who owned and controlled Niraku Corporation, Nexia Inc. and Niraku Merrist Corporation, before and after the Reorganisation.

Immediately prior to and after the Reorganisation, the Listing Business is held by the Controlling Shareholders. The Listing Business is mainly conducted through Niraku Corporation, Nexia Inc. and Niraku Merrist Corporation which are the operating entities of the Group. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The transactions in relation to the Reorganisation of the Listing Business has no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the condensed consolidated interim financial information of the companies now comprising the Group is prepared in accordance with IFRS 10 “Consolidated Financial Statements” issued by the International Accounting Standard Board (the “IASB”), using the carrying values of the Listing Business under the Controlling Shareholders for all periods presented.

Note⁽¹⁾: Mr. Mitsuhiro Tei, Mr. Motohiro Tei, Ms. Eijun Tei and Ms. Rika Tei inherited their interests in the Company from the estate of the late Mr. Tateo Taniguchi, their father and sibling of the Chairman in October 2014.

3 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2015 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 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

4 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 2015, 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 2015 with no impact on the Group’s results of operations and financial positions:

- HKAS 19 (2011) (Amendment), ‘Defined benefit plans: employee contributions’
- IFRSs (Amendment), ‘Annual Improvements to IFRSs 2010–2012 Cycle’
- IFRSs (Amendment), ‘Annual Improvements to IFRSs 2011–2013 Cycle’

There are no other standards or amendments that are effective for the first time for the six months ended 30 September 2015 that could be expected to have a material impact on this Group.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 September	
	2015	2014
	¥ million	¥ million
	(Unaudited)	(Audited)
Revenue		
Gross pay-ins	80,218	90,989
Less: gross pay-outs	(64,905)	(75,798)
	<hr/>	<hr/>
Revenue from pachinko and pachislot hall business	15,313	15,191
Vending machine income	295	301
Revenue from hotel operation	85	80
Revenue from restaurant operation	20	–
	<hr/>	<hr/>
	15,713	15,572
	<hr/> <hr/>	<hr/> <hr/>

(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, pledged long-term bank deposits 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 2015 and 2014 are as follows:

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

	Six months ended 30 September 2014		
	Pachinko and pachislot hall operations ¥ million (Audited)	Others ¥ million (Audited)	Total ¥ million (Audited)
Segment revenue from external customers	15,492	80	15,572
Segment results	1,950	(4)	1,946
Corporate expenses			(319)
Profit before income tax			1,627
Income tax expense			(690)
Profit for the period			<u>937</u>
Other segment items			
Depreciation and amortisation expenses	(1,006)	(12)	(1,018)
Finance income	88	–	88
Finance costs	(357)	–	(357)
Capital expenditures	1,169	70	1,239

The segment assets as at 30 September 2015 and 31 March 2015 are as follows:

	Pachinko and pachislot hall operations ¥ million	Others ¥ million	Total ¥ million
As at 30 September 2015			
Segment assets (Unaudited)	43,295	600	43,895
Unallocated assets			5,919
Deferred income tax assets			1,927
Total assets			<u>51,741</u>
As at 31 March 2015			
Segment assets (Audited)	45,919	664	46,583
Unallocated assets			2,623
Deferred income tax assets			1,771
Total assets			<u>50,977</u>

No single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 30 September 2015 and 2014.

The Group is domiciled in Japan and all non-current assets of the Group as at 30 September 2015 and 31 March 2015 are located in Japan.

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

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Other income		
Rental income	75	74
Income from expired IC and membership cards	17	18
Dividend income	34	34
Compensation and subsidies (<i>Note</i>)	295	598
Income from scrap sales of used pachinko and pachislot machines	79	68
Others	12	9
	512	801
	512	801
Other gains/(losses), net		
(Loss)/gain on fair value for financial assets at fair value through profit or loss	(1)	4
Gain on fair value for interest rate swaps	7	10
Loss on disposal of property, plant and equipment	(26)	(39)
Net exchange loss	(180)	-
	(200)	(25)
	(200)	(25)

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. For the six months ended 30 September 2014, compensation and subsidies were mainly received from the government and Tokyo Electric Power Company for the massive earthquake and tsunami that occurred on 11 March 2011 (the “Great East Japan Earthquake”). The disaster caused significant damages to certain property, plant and equipment and inventories in pachinko and pachislot halls located principally in the north-eastern Japan.

7 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Employee benefits expenses		
— Hall operations	2,607	2,417
— Administrative and others	777	1,331
Operating lease rental expense in respect of land and buildings	1,439	1,399
Depreciation of property, plant and equipment	1,162	996
Depreciation of investment properties	7	7
Amortisation of intangible assets	18	15
Pachinko and pachislot machines expenses (<i>Note</i>)	5,368	4,482
	5,368	4,482
	5,368	4,482

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.

8 FINANCE COSTS, NET

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Finance income		
Bank interest income	1	–
Other interest income	26	88
	<u>27</u>	<u>88</u>
Finance costs		
Bank borrowings	(177)	(157)
Bond interest expense	(1)	(1)
Obligations under finance leases	(136)	(173)
Provision for unwinding discount	(50)	(26)
	<u>(364)</u>	<u>(357)</u>
Finance costs, net	<u>(337)</u>	<u>(269)</u>

9 INCOME TAX EXPENSE

	Six months ended 30 September	
	2015 ¥ million (Unaudited)	2014 ¥ million (Audited)
Current tax		
– Japan corporate income tax	23	1,238
Deferred income tax	8	(548)
	<u>31</u>	<u>690</u>

Japan corporate income tax has been calculated on the estimated assessable profit for the six months ended 30 September 2015 and 2014 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 2015 and 2014 as the Group did not generate any assessable profits arising in Hong Kong during both periods.

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2015 and 2014.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2015 and 2014 have been retrospectively adjusted to reflect sub-division of every issued share of nil par value into 230 shares of nil par value with effect from 31 March 2015.

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Audited)
Profit attributable to shareholders of the Company (¥ million)	<u>42</u>	<u>937</u>
Weighted average number of ordinary shares in issue (thousands)	895,850	3,895
Effect of sub-division of shares	–	891,955
Weighted average number of new shares in issue (thousands)	<u>288,525</u>	<u>–</u>
Weighted average number of shares for the purpose of calculating basic earnings per share (thousands)	<u>1,184,375</u>	<u>895,850</u>
Basic and diluted earnings per share (Japanese Yen)	<u>0.04</u>	<u>1.05</u>

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 2015 and 2014.

11 DIVIDENDS

	Six months ended 30 September	
	2015	2014
	¥ million	¥ million
	(Unaudited)	(Audited)
Dividend	<u>909</u>	<u>183</u>

During the six months ended 30 September 2015, the Company paid dividend of ¥909 million (¥0.76 per ordinary share) to their then shareholders in respect of the year ended 31 March 2015.

The board of directors of the Company has resolved not to declare an interim dividend for the six months ended 30 September 2015 (30 September 2014: nil).

12 TRADE RECEIVABLES

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Trade receivables	69	57
Less: provision for impairment of trade receivables	<u>(5)</u>	<u>(5)</u>
	<u><u>64</u></u>	<u><u>52</u></u>

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 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Less than 30 days	61	49
Over 90 days	<u>8</u>	<u>8</u>
	<u><u>69</u></u>	<u><u>57</u></u>

As at 30 September 2015, trade receivables of ¥3 million (31 March 2015: ¥3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables, based on due date, is as follows:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Overdue but not impaired		
Over 90 days	<u><u>3</u></u>	<u><u>3</u></u>

13 TRADE PAYABLES

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

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Less than 30 days	56	31
31–90 days	78	75
	<u>134</u>	<u>106</u>

14 BORROWINGS

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Non-current portion		
Bank loans	4,306	5,214
Syndicated loans	4,540	5,593
Bonds	215	511
	<u>9,061</u>	<u>11,318</u>
Current portion		
Bank loans	2,926	2,822
Syndicated loans	986	985
Bonds	360	123
	<u>4,272</u>	<u>3,930</u>
Total borrowings	<u>13,333</u>	<u>15,248</u>

15 OBLIGATIONS UNDER FINANCE LEASES

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	1,714	2,114
Later than 1 year and no later than 2 years	1,303	1,378
Later than 2 year and no later than 5 years	2,145	1,967
Later than 5 years	<u>2,719</u>	<u>1,317</u>
	7,881	6,776
Future finance charges on finance leases	<u>(1,441)</u>	<u>(909)</u>
Present values of finance lease liabilities	<u><u>6,440</u></u>	<u><u>5,867</u></u>

The present values of finance lease liabilities are as follow:

	30 September 2015 ¥ million (Unaudited)	31 March 2015 ¥ million (Audited)
No later than 1 year	1,459	1,886
Later than 1 year and no later than 2 years	1,099	1,212
Later than 2 year and no later than 5 years	1,731	1,675
Later than 5 years	<u>2,151</u>	<u>1,094</u>
Total obligations under finance leases	6,440	5,867
Less: Amount included In current liabilities	<u>(1,459)</u>	<u>(1,886)</u>
Non-current obligations under finance leases	<u><u>4,981</u></u>	<u><u>3,981</u></u>

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

CORPORATE GOVERNANCE

During the six months ended 30 September 2015, 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; and code provision E.1.3, which requires that notice for an annual general meeting should be sent to the shareholders of the Company (the “Shareholders”) at least 20 clear business days before the meeting.

Code Provision A.2.1

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

Code Provision E.1.3

Code provision E.1.3 stipulates that notice for an annual general meeting (the “AGM”) should be sent to its shareholders by the issuer at least 20 clear business days before the meeting. The AGM of the Company for the year ended 31 March 2015 was held on 26 June 2015 (“2015 AGM”), while the notice for the 2015 AGM was despatched on 4 June 2015. The above arrangement complied with the articles of incorporation of the Company (the “Articles of Incorporation”) prepared pursuant to the Companies Act in respect of the minimum notice period of 21 calendar days (the date of sending and the date of the meeting shall not be included within this period) for AGM but the notice period for the 2015 AGM was less than 20 clear business days before the 2015 AGM.

Under the Companies Act and the Articles of Incorporation, the Company is required to hold an AGM within three months after the expiration of each financial year (i.e. on or before 30 June 2015 for the financial year ended 31 March 2015). The Companies Act also requires the notice for the AGM to be despatched together with the audited financial statements under the Japanese Generally Accepted Accounting Principles, which must be approved by the Board. On the other hand, the annual report must contain audited financial statements prepared under the IFRS as required under the Listing Rules. As a result, more time was required to finalise the annual report which accompanied the AGM notice despatched to the Shareholders.

DIRECTORS SECURITIES' TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct during the six months ended 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2015.

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\$154 million was utilised for the six months ended 30 September 2015. The remaining net proceeds of HK\$185 million will be used for the originally planned purposes as set out in the Company's prospectus dated 24 March 2015.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and this interim results announcement for the six months ended 30 September 2015 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 2015 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".

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2015 (2014: Nil).

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, 27 November 2015

As at the date of this announcement, the executive director of the Company is Hisanori TANIGUCHI (also known as JEONG Seonggi); and the independent non-executive directors of the Company are Hiroaki MORITA, Norio NAKAYAMA, Masaharu TOGO and Hiroaki KUMAMOTO.

** for identification purpose only*