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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

ANNUAL RESULTS HIGHLIGHTS

- Gross pay-ins were ¥158,095 million (or HK$10,881 million#), recording a decrease of 10.0% as compared with the year ended 31 March 2015;
- Revenue was ¥30,995 million (or HK$2,133 million#), recording a decrease of 5.8% as compared with the year ended 31 March 2015;
- Profit before income tax was ¥633 million (or HK$44 million#), recording a decrease of 87.3% as compared with the year ended 31 March 2015;
- Profit for the year attributable to shareholders of the Company was ¥181 million (or HK$12 million#), recording a decrease of 94.0% as compared with the year ended 31 March 2015;
- The Group operates 56 halls as at the date of this announcement (55 halls as at 31 March 2016 and 2015);
- Basic earnings per share of the Company were ¥0.15 (or HK$0.01#) (2015: ¥3.38); and
- The Board has resolved to declare a final dividend of ¥0.10 (or HK$0.007) per ordinary share (interim: nil).

Translated into Hong Kong dollar at the rate of ¥14.53 to HK$1.00, the exchange rate prevailing on 31 March 2016 (i.e. the last business day in March 2016).

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

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of NIRAKU GC HOLDINGS, INC.* (the "Company" or "NIRAKU") would like to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 together with the comparative figures for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	**2016** **¥ million**	2015 ¥ million
Revenue	5	**30,995**	32,886
Other income	6	**770**	1,039
Other (losses)/gains, net	6	**(272)**	3
Hall operating expenses	7	**(25,207)**	(22,982)
Administrative and other operating expenses	7	**(4,815)**	(5,336)
Operating profit		**1,471**	5,610
Finance income		**54**	119
Finance costs		**(892)**	(735)
Finance costs, net	8	**(838)**	(616)
Profit before income tax		**633**	4,994
Income tax expense	9	**(452)**	(1,964)
Profit for the year attributable to shareholders of the Company		**181**	3,030
Other comprehensive loss			
Change in value of financial assets through other comprehensive income		**(241)**	(155)
Total comprehensive (loss)/income for the year attributable to the shareholders of the Company		**(60)**	2,875
Earnings per share for profit attributable to shareholders of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	10	**0.15**	3.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	**2016** **¥ million**	2015 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment		**28,470**	27,126
Investment properties		**697**	681
Intangible assets		**210**	189
Prepayments, deposits and other receivables		**4,198**	4,772
Financial assets at fair value through profit or loss		**106**	201
Financial assets at fair value through other comprehensive income		**1,013**	1,378
Deferred income tax assets		**1,781**	1,771
Long-term bank deposits		**185**	125
		36,660	36,243
Current assets			
Inventories		**413**	719
Trade receivables	12	**64**	52
Prepayments, deposits and other receivables		**1,456**	1,602
Financial assets at fair value through profit or loss		**100**	100
Pledged bank deposits and bank deposits with maturity over 3 months		**297**	2,286
Cash and cash equivalents		**12,310**	9,480
Current income tax recoverable		**957**	495
		15,597	14,734
Total assets		**52,257**	50,977

	Note	**2016**	2015
	Note	***¥ million***	*¥ million*
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**3,000**	10
Reserves		**24,097**	22,846
Total equity		**27,097**	22,856
LIABILITIES			
Non-current liabilities			
Borrowings	14	**9,732**	11,318
Obligations under finance leases	15	**5,070**	3,981
Provisions and other payables		**2,057**	1,676
Derivative financial instruments		**14**	26
		16,873	17,001
Current liabilities			
Trade payables	13	**132**	106
Borrowings	14	**3,295**	3,930
Obligations under finance leases	15	**1,530**	1,886
Accruals, provisions and other payables		**3,326**	4,209
Derivative financial instruments		**2**	15
Current income tax liabilities		**2**	974
		8,287	11,120
Total liabilities		**25,160**	28,121
Total equity and liabilities		**52,257**	50,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

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. The Group is also engaged in restaurant operation and other business 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").

These consolidated financial statements are 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 have 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, Densho 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 consolidated financial statements 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the IASB and has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) which are carried at fair values.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for accounting periods beginning on or after 1 April 2015:

IAS 19 (Amendment)	Defined benefit plans: Employee contributions
IFRSs (Amendment)	Annual Improvements to IFRSs 2010–2012 Cycle
IFRSs (Amendment)	Annual Improvements to IFRSs 2011–2013 Cycle

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2015 are not material to the Group.

(b) New standards and amendments to existing standards not yet adopted by the Group

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 April 2016 or later periods, but have not been early adopted by the Group.

		Effective for accounting year beginning on or after
IFRSs (Amendment)	Annual improvements 2012 to 2014 cycle	1 January 2016
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception	
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 and IAS 41 (Amendment)	Agriculture: Bearer plants	1 January 2016
IAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
IAS 1	Disclosure initiative	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

Management is in the process of making an assessment on the impact of these standards and amendments to existing IFRS and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2016	2015
	¥ million	*¥ million*
Revenue		
Gross pay-ins	**158,095**	175,592
Less: gross pay-outs	**(127,900)**	(143,473)
Revenue from pachinko and pachislot hall business	**30,195**	32,119
Vending machine income	**588**	592
Revenue from hotel operation	**164**	154
Revenue from restaurant operations	**48**	21
	30,995	32,886

(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 tax before unallocated corporate expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this consolidated financial statements.

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 deposits and cash and bank balances. They exclude deferred income tax assets and assets used for corporate functions including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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

The segment information provided to the executive directors for the years ended 31 March 2016 and 2015 are as follows:

	Year ended 31 March 2016		
	Pachinko and pachislot hall operations *¥ million*	**Others** *¥ million*	**Total** *¥ million*
Segment revenue from external customers	**30,783**	**212**	**30,995**
Segment results	**1,703**	**(121)**	**1,582**
Corporate expenses			**(949)**
Profit before income tax			**633**
Income tax expense			**(452)**
Profit for the year			**181**
Other segment items			
Depreciation and amortisation expenses	**(2,360)**	**(91)**	**(2,451)**
Finance income	**54**	**–**	**54**
Finance costs	**(892)**	**–**	**(892)**
Capital expenditures	**4,197**	**9**	**4,206**

	Year ended 31 March 2015		
	Pachinko and pachislot hall operations *¥ million*	Others *¥ million*	Total *¥ million*
Segment revenue from external customers	32,711	175	32,886
Segment results	5,997	(56)	5,941
Corporate expenses			(947)
Profit before income tax			4,994
Income tax expense			(1,964)
Profit for the year			3,030
Other segment items			
Depreciation and amortisation expenses	(2,040)	(25)	(2,065)
Finance income	119	–	119
Finance costs	(735)	–	(735)
Capital expenditures	3,555	73	3,628

The segment assets as at 31 March 2016 and 2015 are as follows:

	Pachinko and pachislot hall operations *¥ million*	Others *¥ million*	Total *¥ million*
As at 31 March 2016			
Segment assets	**44,166**	**532**	**44,698**
Unallocated assets			**5,778**
Deferred income tax assets			**1,781**
Total assets			**52,257**
As at 31 March 2015			
Segment assets	45,919	664	46,583
Unallocated assets			2,623
Deferred income tax assets			1,771
Total assets			50,977

No single external customer contributed more than 10% revenue to the Group's revenue for the year ended 31 March 2016 and 2015.

The Group is domiciled in Japan and all non-current assets of the Group as at 31 March 2016 and 2015 are located in Japan.

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

	2016 *¥ million*	2015 *¥ million*
Other income		
Rental income	**152**	151
Income from expired IC and membership cards	**35**	35
Dividend income	**64**	66
Compensation and subsidies (Note)	**308**	626
Income from scrap sales of used pachinko and pachislot machines	**192**	133
Others	**19**	28
	770	1,039
Other (losses)/gains, net		
Gain on fair value for financial assets at fair value through profit or loss	**6**	1
Loss on disposal of financial assets at fair value through profit or loss	**–**	(7)
(Loss)/gain on fair value for derivative financial instruments	**(16)**	7
Gain on disposal of derivative financial instruments	**6**	–
Loss on disposal of property, plant and equipment	**(57)**	(27)
Net exchange (loss)/gain	**(211)**	29
	(272)	3

Note: During the year ended 31 March 2016, compensation was mainly received from the government for closure of a hall due to city planning. For the year ended 31 March 2015, 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 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2016	2015
	¥ million	*¥ million*
Auditors' remuneration		
— Audit fees	**60**	60
— Audit related fees	**–**	234
— Other services	**24**	46
Employee benefits expenses		
— Hall operations	**5,081**	4,841
— Administrative and others	**1,556**	2,042
Operating lease rental expense in respect of land and buildings	**2,841**	2,578
Depreciation of property, plant and equipment	**2,387**	2,019
Depreciation of investment properties	**27**	15
Amortisation of intangible assets	**37**	31
Reinstatement expenses	**26**	21
Recruitment expenses	**218**	183
Travelling and transportation	**169**	151
Other taxes and duties	**481**	455
Repairs and maintenance	**240**	206
Utilities expenses	**1,133**	1,136
Consumables and cleaning	**1,735**	1,552
Outsourcing service expenses	**1,065**	1,101
G-Prize procurement expenses to wholesalers	**802**	798
Pachinko and pachislot machines expenses *(Note)*	**9,619**	8,399
Advertising expenses	**1,450**	1,348
Service fee	**33**	–
Impairment loss on property, plant and equipment	**317**	–
Legal and professional fees	**35**	38
Professional expenses incurred in connection with the Company's listing	**84**	420
Others	**602**	644
	30,022	28,318

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

8 FINANCE COSTS, NET

	2016	2015
	¥ million	*¥ million*
Finance income		
Bank interest income	**2**	1
Other interest income	**52**	118
	54	119
Finance costs		
Bank borrowings	**(523)**	(340)
Bond interest expense	**(2)**	(7)
Obligations under finance leases	**(296)**	(330)
Provision for unwinding discount	**(71)**	(58)
	(892)	(735)
Finance costs, net	**(838)**	(616)

9 INCOME TAX EXPENSE

	2016	2015
	¥ million	*¥ million*
Current tax		
— Japan corporate income tax	**302**	2,155
Deferred income tax	**150**	(191)
	452	1,964

Japan corporate income tax has been calculated on the estimated assessable profit for the years ended 31 March 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 years ended 31 March 2016 and 2015 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 March 2016 and 2015.

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 years ended 31 March 2016 and 2015.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2015 has 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.

	2016	2015
Profit attributable to shareholders of the Company (¥ million)	**181**	3,030
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)	**294,262**	–
Weighted average number of shares for the purpose of calculating basic earnings per share (thousands)	**1,190,112**	895,850
Basic and diluted earnings per share (Japanese Yen)	**0.15**	3.38

No diluted earnings per share is presented as there was no potential dilutive shares during the years ended 31 March 2016 and 2015. Diluted earnings per share is equal to the basic earnings per share.

11 DIVIDENDS

During the year ended 31 March 2015, the Company and Nexia Inc. paid dividend of ¥156 million (¥40 per ordinary share) and ¥27 million (¥10,000 per ordinary share), respectively, to their then shareholders in respect of the year ended 31 March 2014.

During the year ended 31 March 2016, 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 declared the payment of a final dividend of ¥0.10 or HK$0.007 per ordinary share totalling ¥120 million in respect of the year ended 31 March 2016. These consolidated financial statements do not reflect this dividend payable.

12 TRADE RECEIVABLES

	2016	2015
	¥ million	*¥ million*
Trade receivables	**64**	57
Less: provision for impairment of trade receivables	**–**	(5)
	64	52

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 consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

As at 31 March 2016 and 2015, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2016	2015
	¥ million	*¥ million*
Less than 30 days	**64**	49
Over 90 days	**–**	8
	64	57

As at 31 March 2016, no trade receivables were past due or impaired. As at 31 March 2015, ¥3 million of trade receivables were past due but not impaired. These related to a number of independent customers for whom there was no significant financial difficulty at the time and based on past experience, the overdue amounts could be recovered. The ageing analysis of these trade receivables, based on due date, is as follows:

	2016	2015
	¥ million	*¥ million*
Overdue but not impaired		
Over 90 days	**–**	3

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values as at 31 March 2016 and 2015; and are denominated in Japanese Yen.

13 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2016 and 2015 were as follows:

	2016	2015
	¥ million	*¥ million*
Less than 30 days	**49**	31
31–90 days	**83**	75
	132	106

The carrying amounts of trade payables approximate their fair values as at 31 March 2016 and 2015; and are denominated in Japanese Yen.

14 BORROWINGS

	2016 ¥ million	2015 ¥ million
Non-current portion		
Bank loans	**1,945**	5,214
Syndicated loans	**7,787**	5,593
Bonds	**–**	511
	9,732	11,318
Current portion		
Bank loans	**1,682**	2,822
Syndicated loans	**1,336**	985
Bonds	**277**	123
	3,295	3,930
Total borrowings	**13,027**	15,248

As at 31 March 2016 and 2015, the Group's borrowings were repayable as follows:

	2016 ¥ million	2015 ¥ million
Within 1 year	**3,295**	3,930
Between 1 and 2 years	**2,178**	2,944
Between 2 and 5 years	**4,933**	5,398
Over 5 years	**2,621**	2,976
	13,027	15,248

The average effective interest rates (per annum) at the end of each reporting period were set out as follows:

	2016	2015
Bank loans	**2.3%**	2.6%
Syndicated loans	**1.1%**	2.3%
Bonds	**2.3%**	2.0%

As at 31 March 2016, the borrowings under sales and leaseback arrangements with a third party lessor amounted to ¥2,275 million (2015: ¥1,409 million). These sales and leaseback arrangements included sell of certain leasehold improvements and pachislot machines at an aggregate consideration of ¥2,801 million and were leased back to the Group for a total lease payment of ¥2,979 million covering the periods between 24 months and 84 months. During the lease period, the Group cannot transfer or pledge to any party the relevant leasehold improvements and pachislot machines. For leasehold improvement, the Group has an option to renew for a further term of 1 year on the 20th of the preceding month before the end of each lease term at no cost.

At the end of each reporting period, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2016	2015
	¥ million	*¥ million*
Property, plant and equipment	**8,445**	7,991
Investment properties	**697**	681
Bank deposits	**–**	1,100
Deposits and other receivables	**560**	258
Other long term assets	**–**	40
	9,702	10,070

The undrawn borrowing facilities of the Group at each reporting period are as follows:

	2016	2015
	¥ million	*¥ million*
Floating rate		
— Expiring over 1 year	**1,400**	–

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2016 and 2015.

During the years ended 31 March 2016 and 2015, the principal amounts of bonds issued by the Group carried at fixed interest rate per annum are as follows:

Issue date	**Principal amount**	**Interest rate**	**Due date**
	¥ million		
28 August 2012 *(Note)*	160	0.70%	26 August 2022
30 November 2012 *(Note)*	100	0.60%	30 November 2022
28 August 2014	280	0.31%	26 August 2016
19 September 2014 *(Note)*	100	1.00%	19 September 2019

Note: As at 31 March 2016, these bonds had been fully repaid.

15 OBLIGATIONS UNDER FINANCE LEASES

	2016	2015
	¥ million	*¥ million*
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**1,784**	2,114
Later than 1 year and no later than 2 years	**1,336**	1,378
Later than 2 year and no later than 5 years	**2,271**	1,967
Later than 5 years	**2,579**	1,317
	7,970	6,776
Future finance charges on finance leases	**(1,370)**	(909)
Present values of finance lease liabilities	**6,600**	5,867

The present values of finance lease liabilities are as follows:

	2016	2015
	¥ million	*¥ million*
No later than 1 year	**1,530**	1,886
Later than 1 year and no later than 2 years	**1,135**	1,212
Later than 2 year and no later than 5 years	**1,867**	1,675
Later than 5 years	**2,068**	1,094
Total obligations under finance leases	**6,600**	5,867
Less: Amount included in current liabilities	**(1,530)**	(1,886)
Non-current obligations under finance leases	**5,070**	3,981

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 with effective interest rate range from 3.22% to 4.42% per annum as at 31 March 2016 (2015: 2.46% to 5.30% per annum). No arrangements have been entered into for contingent rental payments during the reporting periods.

16 EVENT SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 19 May 2016, the Company entered into the sales and purchase agreement with Coastal Heritage Limited 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. Subject to the fulfillment of several conditions precedent, the acquisition is expected to be completed on or before 31 May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

BUSINESS OUTLOOK

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

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

STRATEGIES

To tackle the decline in revenue, the Group continues in gaining its market share through expansion of hall network in Tohoku area, where the Group has strategic advantage of being the largest pachinko operator. As mentioned, the Group opened 2 new halls during the year, each of these halls is equipped with over 600 machines. For the year ended 31 March 2016, these 2 halls generated ¥5,767 million gross pay-ins and ¥630 million revenue to the Group. Realising that pay-out ratio is a key factor that has direct impact to customer visits, during the year, the Group has optimise its pay-out ratio to drive higher traffic. Following these measures, the Group has seen a gradual improvement in machine utilisation during the course of the year ended 31 March 2016.

Grappling with the market downturn, the Group is committed to retain its existing customers through providing a wider range of machines, optimising its pay-out ratio and enhancing hall services. For the year ended 31 March 2016, the Group has speeded up its scheduled machine replacement and as a result incurred an additional ¥1,220 million in machine expense as compared to 2015. During the year, the Group introduced an online prize redemption system, offering over 10,000 types of general prizes to customers. This online prize redemption system is planned to extend to additional 14 halls by 31 March 2017 to increase repeated patronage of the customers.

BUSINESS DEVELOPMENT

Moving ahead, the Group continues to focus on expanding pachinko business; and at all time explores new opportunities to broaden the revenue base. Subsequent to the current financial year end, on 8 April 2016, the Group opened its mega store in Fukushima with over 1,200 pachinko and pachislot machines. This mega store is the biggest hall of the Group ever since and remarked as one of the largest pachinko halls in Tohoku area. The Group also ventured in the hospitality business. On 19 May 2016, the Group entered into a sales and purchase agreement with Coastal Heritage Limited to acquire 66.7% of equity interest in Nha Trang Holdings Limited, a company owns and operates 7 Vietnamese restaurants and 1 pinot duck restaurant in Hong Kong, at an aggregate consideration of HK$100 million. This acquisition aligns with the Group's strategy of expanding its scale of operating in hospitality business. The Group expects it to bring in new income to the Group and also enhances its market presence.

FINANCIAL REVIEW

Gross pay-ins

Both suburban and urban halls recorded a decline in gross pay-ins over the same period last year. Despite additional revenue was generated from 2 new halls opened in April 2015, gross pay-ins decreased by ¥17,497 million, or 10.0%, from ¥175,592 million in 2015 to ¥158,095 million in 2016. 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 ¥15,573 million, or 10.9%, from ¥143,473 million in 2015 to ¥127,900 million in 2016 generally followed the trend of their 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 plunged by ¥1,924 million, or 6.0%, from ¥32,119 million in 2015 to ¥30,195 million in 2016. The fall was resulted from the decrease in customer visits outweighed the additional revenue of ¥630 million from two new halls opened during the year.

The revenue margin increased by 0.8% from 18.3% in 2015 to 19.1% in 2016. This slight improvement was mainly attributable to the optimisation of pay-out ratio which helped to improve the revenue from pachinko and pachislot hall operations to a 0.8% increase as compared to 2015.

Other revenue

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

Vending machine income dropped slightly from ¥592 million in 2015 to ¥588 million in 2016 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 operations grew steadily from ¥154 million in 2015 to ¥164 million in 2016 as a result of increase in average occupancy rate from 80% in 2015 to 83% in 2016.

The first restaurant under the brand ‘LIZARRAN’ was opened in October 2014. Revenue derived from this restaurant amounted to ¥48 million in 2016, an increase of ¥27 million as compared to 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 ¥9,619 million, ¥5,081 million and ¥2,703 million, respectively, for the year ended 31 March 2016 (31 March 2015: ¥8,399 million, ¥4,841 million and ¥2,471 million, respectively).

Hall operating expenses increased by ¥2,225 million, or 9.7%, from ¥22,982 million in 2015 to ¥25,207 million in 2016, mainly due to the increase in machine purchases for 2 new halls and accelerated 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 ¥521 million, or 9.8% from ¥5,336 million in 2015 to ¥4,815 million in 2016, primarily due to the decrease in staff cost of ¥486 million and listing expense of ¥336 million, netted with provision of impairment loss on property, plant and equipment of ¥317 million in relation to one underperformed hall.

Finance costs

Finance costs increased by ¥222 million, or 36.0%, from ¥616 million in 2015 to ¥838 million in 2016. The increase was primarily attributable to the increase in finance costs and early repayment penalties in relation to early terminated loans of ¥206 million as a result of transition to group financing system. The Group foresees that through this group financing system, repayments and interest burden can be reduced in the future.

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

Profit before income tax for the year decreased by ¥4,361 million, from ¥4,994 million in 2015 to ¥633 million in 2016, with net profit margin decreased from 9.2% in 2015 to 0.6% in 2016.

Profit attributable to shareholders of the Company decreased from ¥3,030 million in 2015 to ¥181 million in 2016, a 94.0% drop over last year.

Basic earnings per share was ¥0.15 (31 March 2015: ¥3.38). The Board has declared a final dividend of ¥0.10 per share for the year ended 31 March 2016 (2015: ¥0.76 per share) on 20 May 2016.

CAPITAL STRUCTURE

The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, including cash flow from operations and bank borrowings. The Group's daily operation is mainly financed by operating cash flows, and relied on short- and long-term borrowings for financing working capital, future expansion plans and unexpected needs. The Group's treasury objective is mainly to ensure there is sufficient cash flow to meet the payment of expenses, loans and to fund any capital expenditure and commitment 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 31 March 2016 and 31 March 2015, and operating cash flows before movements in working capital of the Group for the year ended 31 March 2016 and 2015, respectively:

	As at 31 March	
	2016	2015
	¥ million	*¥ million*
Cash and cash equivalents	**12,310**	9,480
Bank deposits	**482**	2,411
	12,792	11,891
Bank loans	**3,627**	8,036
Syndicated loans	**9,123**	6,578
Bonds	**277**	634
Obligations under finance leases	**6,600**	5,867
	19,627	21,115
Working capital	**7,310**	3,614
Total equity	**27,097**	22,856
Gearing ratio	**72.4%**	92.4%

	For the year ended 31 March	
	2016	2015
	¥ million	*¥ million*
Operating cash flows before movements in working capital	**4,242**	7,635

Net current assets of the Group totalled ¥7,310 million as at 31 March 2016 (31 March 2015: ¥3,614 million), and current ratio was 1.88 as at 31 March 2016 (31 March 2015: 1.33). As at 31 March 2016, there were cash and cash equivalents of ¥12,310 million (31 March 2015: ¥9,480 million), in which ¥11,827 million was denominated in Japanese Yen, ¥325 million was denominated in United States dollar and ¥158 million was denominated in Hong Kong dollar. The Group had total borrowings of ¥19,627 million (31 March 2015: ¥21,115 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥4,825 million (31 March 2015: ¥5,816 million).

The Group's bank borrowings, comprising bank loans, syndicated loans and bonds, amounted to ¥13,027 million (31 March 2015: ¥15,248 million). As at 31 March 2016, the average effective interest rates on bank borrowings ranged from 1.1% to 2.3% (31 March 2015: 2.0% to 2.6%) per annum. Approximately 11.5% of bank borrowings as at 31 March 2016 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS

The Group entered into certain floating to fixed interest rate swap contracts with banks in Japan (i.e. the Group pays fixed interest rates and receive interests at floating rate) during the year ended 31 March 2016. These interest rate swap contracts were entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the year ended 31 March 2016, the loss on fair value for interest rate swap contracts amounted to ¥16 million. As at 31 March 2016, there was only one swap contract outstanding.

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 72.4% as at 31 March 2016 (31 March 2015: 92.4%). The decrease of 20.0% as compared with that of the year ended 31 March 2015 was mainly due to decrease of total borrowings of ¥1,488 million and increase of total equity of ¥4,241 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 our pachinko and pachislot hall operations. The table below shows a breakdown of the capital expenditure for the indicated periods:

	As at 31 March	
	2016	2015
	¥ million	*¥ million*
Property, plant and equipment	**4,105**	3,555
Investment properties	**43**	20
Others	**58**	53
	4,206	3,628

CHARGES ON ASSETS

As at 31 March 2016 and 2015, the carrying values of charged assets were as below:

	2016	2015
	¥ million	*¥ million*
Property, plant and equipment	**8,445**	7,991
Investment properties	**697**	681
Bank deposits	**–**	1,100
Deposits and other receivables	**560**	258
Other long term assets	**–**	40
	9,702	10,070

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2016 and 2015.

CAPITAL COMMITMENTS

As at 31 March 2016, the outstanding commitments that have been contracted but not provided for in the consolidated financial statements amounted to ¥40 million (2015: ¥41 million). These capital commitments relate to purchase of property, plant and equipment for new halls.

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

During the year ended 31 March 2016, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this annual results announcement, the Group had no plan authorised by the Board for other material investments or additions of capital assets as at the date of this annual results announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group had 1,490 employees. The remuneration policy of the Group (including those for Directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the Directors and employees.

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$278 million was utilised for the year ended 31 March 2016. The remaining net proceeds of HK$61 million will be used for the originally planned purposes as set out in the Company's prospectus dated 24 March 2015.

FINAL DIVIDEND

The Board has declared a final dividend of ¥0.10 or HK$0.007 per share for the year ended 31 March 2016 (31 March 2015: ¥0.76 per share) on 20 May 2016, the final dividend will be payable on 7 July 2016 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at close of business on 6 June 2016.

The exchange rate for the conversion of Japanese Yen to Hong Kong dollar for the dividend distributed to the Shareholders in the currency other than Japanese Yen is based on the average currency rates prevailing five trading days immediately prior to 20 May 2016 (being 13 May 2016 and 16 to 19 May 2016).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 March 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; and code provision E.1.3, which requires that notice for an annual general meeting should be sent to the Shareholders at least 20 clear business days before the meeting.

Code Provision A.2.1

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

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR 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 enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the period from 8 April 2015 (the "Listing Date") to the date of this annual results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period from the Listing Date to the date of this annual results announcement. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period from the Listing Date to the date of this annual results announcement.

AUDIT COMMITTEE

The Audit Committee had, together with the Board and external auditor, reviewed the accounting standards and practices adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2016.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2016 as set out in this preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

ANNUAL GENERAL MEETING AND RECORD DATE

The annual general meeting of the Company ("2016 AGM") will be held on 29 June 2016 at 1-39 Hohaccho 1-chome, Koriyama-shi, Fukushima,Japan. Notice of the 2016 AGM will be published and issued to Shareholders in due course. The right to attend and vote at the 2016 AGM will be granted to the Shareholders whose names appear on the Company's share register on Wednesday, 22 June 2016.

In order for those Shareholders whose names have not been registered on the Company's share register to be eligible to attend and vote at the 2016 AGM, all properly completed, duly stamped and executed transfer documents accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. (Hong Kong time) on Wednesday, 22 June 2016.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ngch.co.jp), and the annual report of the Company for the year ended 31 March 2016 containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Tokyo, Japan, 20 May 2016

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

* *for identification purpose only*