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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2018

ANNUAL RESULTS HIGHLIGHTS

- Gross pay-ins were ¥138,493 million (or HK\$10,229 million[#]), recording a decrease of 3.2% as compared with the year ended 31 March 2017;
- Revenue was ¥26,554 million (or HK\$1,961 million[#]), recording a decrease of 9.0% as compared with the year ended 31 March 2017;
- Profit before income tax was ¥213 million (or HK\$16 million[#]), recording a decrease of 76.4% as compared with the year ended 31 March 2017;
- Loss for the year attributable to owners of the Company was ¥15 million (or HK\$1 million[#]), recording a decrease of 103.0% as compared with the year ended 31 March 2017;
- The Group operates 55 halls as at the date of this announcement (55 halls as at 31 March 2017);
- Basic loss per share of the Company were ¥0.013 (or HK\$0.001[#]) (2017: basic earnings per share ¥0.41); and
- The Board has resolved to declare a final dividend of ¥0.12 (or HK\$0.009) per ordinary share (interim: Nil).

[#] Translated into Hong Kong dollar at the rate of ¥13.54 to HK\$1.00, the exchange rate prevailing on 29 March 2018 (i.e. the last business day in March 2018).

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 2018 together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 ¥ million	2017 ¥ million
Revenue	4	26,554	29,180
Other income	5	606	801
Other gains/(losses), net	5	121	(47)
Hall operating expenses	6	(22,640)	(24,110)
Administrative and other operating expenses	6	(3,918)	(4,391)
Operating profit		723	1,433
Finance income		51	55
Finance costs		(561)	(586)
Finance costs, net	7	(510)	(531)
Profit before income tax		213	902
Income tax expense	8	(273)	(410)
(Loss)/profit for the year		(60)	492
(Loss)/profit attributable to:			
Owners of the Company		(15)	492
Non-controlling interest		(45)	–
		(60)	492
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic and diluted (expressed in Japanese Yen per share)	9	(0.013)	0.411
Other comprehensive (loss)/income			
<i>Item that have been reclassified or may be subsequently reclassified to profit or loss</i>			
Change in value of financial assets through other comprehensive income		(179)	138
Currency translation differences		(93)	–
Total comprehensive (loss)/income for the year		(332)	630
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(287)	630
Non-controlling interest		(45)	–
		(332)	630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Note</i>	2018 ¥ million	2017 ¥ million
ASSETS			
Non-current assets			
Property, plant and equipment		26,207	26,406
Investment properties		662	678
Intangible assets		1,571	182
Prepayments, deposits and other receivables		3,751	3,866
Financial assets at fair value through profit or loss		52	104
Financial assets at fair value through other comprehensive income		953	1,210
Deferred income tax assets		1,565	1,656
Long-term bank deposits		47	35
		34,808	34,137
Current assets			
Inventories		57	20
Trade receivables	11	57	88
Prepayments, deposits and other receivables		1,312	1,457
Bank deposits with maturity over 3 months		43	252
Cash and cash equivalents		15,594	13,404
Current income tax recoverable		300	55
		17,363	15,276
Total assets		52,171	49,413

	<i>Note</i>	2018 ¥ million	2017 ¥ million
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,000	3,000
Reserves		24,176	24,499
		27,176	27,499
Non-controlling interest		(40)	–
Total equity		27,136	27,499
LIABILITIES			
Non-current liabilities			
Borrowings	13	10,854	8,656
Obligations under finance leases	14	3,247	4,048
Provisions and other payables		2,111	1,989
Derivative financial instruments		8	11
		16,220	14,704
Current liabilities			
Trade payables	12	247	123
Borrowings	13	3,886	2,394
Obligations under finance leases	14	888	1,160
Accruals, provisions and other payables		3,793	3,532
Derivative financial instruments		1	1
		8,815	7,210
Total liabilities		25,035	21,914
Total equity and liabilities		52,171	49,413

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, hotel and restaurant operations in Japan, and entertainment and amusement arcade operations in Southeast Asia countries.

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

These consolidated financial statements are presented in millions of Japanese Yen (“¥”), unless otherwise stated.

2 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.

3 BASIS OF PREPARATION

(i) Compliance with International Financial Reporting Standards and Hong Kong Companies Ordinance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) issued by the IASB and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have 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.

(iii) New and amended standards adopted by the Group

The following amendments to standards are mandatory for accounting periods beginning on or after 1 April 2017:

Amendments to IAS 12	Income taxes
Amendments to IAS 7	Statement of cash flows

The adoption of these amendments did not have material impact on the financial statements for the current and prior year, except for amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

(iv) 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 2018 or later periods, but have not been early adopted by the Group.

		Effective for accounting year beginning on or after
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 15 (Amendment)	Clarification to IFRS 15	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IAS 40 (Amendment)	Transfers of investment property	1 January 2018
Annual Improvements Project IFRS 1 and IAS 28 (Amendment)	Annual improvements 2014–2016 cycle	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration (new interpretation)	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual improvements 2015–2017 Cycle	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 and IFRS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

IFRS 15 “Revenue from Contracts with Customers” — This new standard replaces the previous revenue standards: IAS 18 “Revenue” and IAS 11 “Construction Contracts”, and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset liability” approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has performed an initial assessment on the impact of this new standard. Currently, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting this new standard.

IFRS 16, “Leases” (effective from 1 January 2019). Under IFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). IFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in IAS 16 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in the consolidated statement of comprehensive income. For lessors, IFRS 16 retains most of the requirements in IAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group plans to apply the new standards and amendments when they become effective. The Group has already commenced assessments of the related impacts of new and amended standards not yet effective on 1 January 2018 to the Group and it is not yet in a position to state whether any substantial changes to the Group’s significant policies and presentation of the financial information will result.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2018 ¥ million	2017 ¥ million
Revenue		
Gross pay-ins	138,493	143,130
Less: gross pay-outs	(113,230)	(114,734)
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Revenue from pachinko and pachislot hall business	25,263	28,396
Revenue from amusement arcades business	417	–
Vending machine income	536	564
Revenue from hotel operations	158	130
Revenue from restaurant operations	180	90
	<hr/>	<hr/>
	26,554	29,180
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(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 three reportable segments based on the types of services, namely (i) pachinko and pachislot hall operations, (ii) amusement arcade operations, and (iii) others, representing hotel and restaurant operations.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade receivables, prepayments, deposits and other receivables, bank 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 2018 and 2017 are as follows:

	Pachinko and pachislot hall operations	Year ended 31 March 2018		Total
		Amusement arcade operations	Others	
	Japan ¥ million	Southeast Asia ¥ million	Japan ¥ million	¥ million
Segment revenue from external customers	25,799	417	338	26,554
Segment results	1,223	(74)	(213)	936
Corporate expenses				<u>(723)</u>
Profit before income tax				213
Income tax expense				<u>(273)</u>
Loss for the year				<u><u>(60)</u></u>
Other segment items				
Depreciation and amortisation expenses	(2,243)	(95)	(45)	(2,383)
Finance income	49	2	–	51
Finance costs	(539)	(22)	–	(561)
Capital expenditures	<u>1,768</u>	<u>76</u>	<u>75</u>	<u>1,919</u>

	Year ended 31 March 2017			
	Pachinko and pachislot hall operations	Amusement arcade operations	Others	Total
	Japan ¥ million	Southeast Asia ¥ million	Japan ¥ million	¥ million
Segment revenue from external customers	28,960	—	220	29,180
Segment results	1,576	—	(118)	1,458
Corporate expenses				(556)
Profit before income tax				902
Income tax expense				(410)
Profit for the year				492
Other segment items				
Depreciation and amortisation expenses	(2,392)	—	(28)	(2,420)
Finance income	55	—	—	55
Finance costs	(586)	—	—	(586)
Capital expenditures	524	—	134	658

The segment assets as at 31 March 2018 and 2017 are as follows:

	Pachinko and pachislot hall operations	Amusement arcade operations	Others	Total
	Japan ¥ million	Southeast Asia ¥ million	Japan ¥ million	¥ million
As at 31 March 2018				
Segment assets	42,247	980	1,108	44,335
Unallocated assets				6,271
Deferred income tax assets				1,565
Total assets				52,171
As at 31 March 2017				
Segment assets	40,437	—	636	41,073
Unallocated assets				6,684
Deferred income tax assets				1,656
Total assets				49,413

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

	2018 ¥ million	2017 ¥ million
Japan, country of domicile	31,609	31,167
Southeast Asia	629	–
	<u>32,238</u>	<u>31,167</u>

No single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 March 2018 and 2017.

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

	2018 ¥ million	2017 ¥ million
Other income		
Rental income	154	148
Income from expired IC and membership cards	31	33
Dividend income	57	61
Compensation and subsidies	4	13
Income from scrap sales of used pachinko and pachislot machines	331	500
Others	29	46
	<u>606</u>	<u>801</u>
Other gains/(losses), net		
Loss on fair value for financial assets at fair value through profit or loss	(2)	(2)
Gain on fair value for derivative financial instruments	3	4
Gain/(loss) on disposal of property, plant and equipment	215	(64)
Net exchange (loss)/gain	(95)	15
	<u>121</u>	<u>(47)</u>

6 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2018 ¥ million	2017 ¥ million
Auditors' remuneration		
— Audit fees	76	62
— Other services	13	34
Employee benefits expenses		
— Hall operations	5,176	5,110
— Administrative and others	1,635	1,576
Operating lease rental expense in respect of land and buildings	2,835	2,816
Depreciation of property, plant and equipment	2,315	2,368
Depreciation of investment properties	19	19
Write off of other receivables	54	17
Amortisation of intangible assets	49	33
Reinstatement expenses	25	25
Recruitment expenses	52	78
Travelling and transportation	132	134
Other taxes and duties	348	385
Repairs and maintenance	226	183
Utilities expenses	952	971
Consumables and cleaning	1,438	1,741
Outsourcing service expenses	962	1,008
G-Prize procurement expenses to wholesalers	763	778
Pachinko and pachislot machines expenses (<i>Note (i)</i>)	7,699	8,836
Advertising expenses	1,102	1,264
Service fee	35	35
Impairment loss on property, plant and equipment	—	271
Legal and professional fees	155	66
Loss on termination of existing/opening of outlets (<i>Note (ii)</i>)	46	72
Others	451	619
	26,558	28,501

Notes:

- (i) 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.
- (ii) During the year ended 31 March 2018, a pachinko and pachislot hall and a restaurant were closed. The amount of ¥46 million represents penalty charge of ¥8 million for early termination of rental contract and forfeiture of rental deposits of ¥3 million in relation to the closure of a restaurant; and ¥35 million penalty charge in relation to closure of a pachinko and pachislot hall.

During the year ended 31 March 2017, a loss of ¥72 million was incurred in relation to abandoning the plan for opening of a new hall. The said amount included forfeiture of rental deposit of ¥39 million, write off of construction in progress of ¥14 million and penalty charge for early termination of the rental contract of ¥19 million.

7 FINANCE COSTS, NET

	2018 ¥ million	2017 ¥ million
Finance income		
Bank interest income	3	3
Other interest income	48	52
	<u>51</u>	<u>55</u>
Finance costs		
Bank borrowings	(195)	(213)
Obligations under finance leases	(228)	(280)
Provision for unwinding discount	(138)	(93)
	<u>(561)</u>	<u>(586)</u>
Finance costs, net	<u>(510)</u>	<u>(531)</u>

8 INCOME TAX EXPENSE

	2018 ¥ million	2017 ¥ million
Current income tax		
— Japan	170	344
— Other Asian countries	9	—
	<u>179</u>	<u>344</u>
Deferred income tax	94	66
	<u>273</u>	<u>410</u>

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates.

No provision for Hong Kong profits tax has been made for the years ended 31 March 2018 and 2017 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 March 2018 and 2017.

9 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2018 and 2017.

	2018	2017
(Loss)/profit attributable to owners of the Company (¥ million)	<u>(15)</u>	<u>492</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (thousands)	<u>1,195,850</u>	<u>1,195,850</u>
Basic and diluted (loss)/earnings per share (¥)	<u>(0.013)</u>	<u>0.41</u>

No diluted (loss)/earnings per share is presented as there was no potential dilutive shares during the years ended 31 March 2018 and 2017. Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share.

10 DIVIDENDS

During the year ended 31 March 2018, the Company paid dividend of ¥36 million (¥0.03 per ordinary share) to its shareholders in respect of the year ended 31 March 2017.

The board of directors of the Company proposes the payment of a final dividend of ¥0.12 per ordinary share totalling ¥143 million in respect of the year ended 31 March 2018. These consolidated financial statements do not reflect this dividend payable.

11 TRADE RECEIVABLES

	2018 ¥ million	2017 ¥ million
Trade receivables	57	88
Less: provision for impairment of trade receivables	<u>—</u>	<u>—</u>
	<u>57</u>	<u>88</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 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 2018 and 2017, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	2018 ¥ million	2017 ¥ million
Less than 30 days	53	88
31 days to 90 days	<u>4</u>	<u>—</u>
	<u>57</u>	<u>88</u>

As at 31 March 2018 and 2017, no trade receivables was past due or impaired.

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 2018 and 2017.

12 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 31 March 2018 and 2017 were as follows:

	2018 ¥ million	2017 ¥ million
Less than 30 days	72	42
31 – 90 days	162	81
Over 90 days	13	–
	<u>247</u>	<u>123</u>

The carrying amounts of trade payables approximate their fair values as at 31 March 2018 and 2017.

13 BORROWINGS

	2018 ¥ million	2017 ¥ million
Non-current portion		
Bank loans	2,761	1,922
Syndicated loans	8,093	6,734
	<u>10,854</u>	<u>8,656</u>
Current portion		
Bank loans	813	939
Syndicated loans	3,073	1,455
	<u>3,886</u>	<u>2,394</u>
Total borrowings	<u>14,740</u>	<u>11,050</u>

As at 31 March 2018 and 2017, the Group's borrowings were repayable as follows:

	2018 ¥ million	2017 ¥ million
Within 1 year	3,886	2,394
Between 1 and 2 years	2,821	1,944
Between 2 and 5 years	4,991	4,560
Over 5 years	3,042	2,152
	<u>14,740</u>	<u>11,050</u>

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

	2018	2017
Bank loans	0.8%	1.8%
Syndicated loans	1.1%	1.1%

As at 31 March 2018, the borrowings under sales and leaseback arrangements with a third party lessor amounted to ¥1,674 million (2017: ¥1,472 million). These sales and leaseback arrangements included sell of certain leasehold improvements and pachislot machines at an aggregate consideration of ¥2,801 million and lease-back to the Group for a total lease payment of ¥2,979 million covering the periods ranged between 24 months to 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:

	2018 ¥ million	2017 ¥ million
Property, plant and equipment	8,340	8,195
Investment properties	662	678
Deposits and other receivables	582	585
	9,584	9,458

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

	2018 ¥ million	2017 ¥ million
Floating rate		
— Expiring over 1 year	1,663	2,000

The carrying amounts of borrowings of the Group approximate their fair values as at 31 March 2018 and 2017.

14 OBLIGATIONS UNDER FINANCE LEASES

	2018 ¥ million	2017 ¥ million
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	1,041	1,364
Later than 1 year and no later than 2 years	817	999
Later than 2 year and no later than 5 years	1,206	1,709
Later than 5 years	1,985	2,264
	<u>5,049</u>	<u>6,336</u>
Future finance charges on finance leases	(914)	(1,128)
	<u>4,135</u>	<u>5,208</u>

The present values of finance lease liabilities are as follows:

	2018 ¥ million	2017 ¥ million
No later than 1 year	888	1,160
Later than 1 year and no later than 2 years	683	835
Later than 2 year and no later than 5 years	918	1,371
Later than 5 years	1,646	1,842
	<u>4,135</u>	<u>5,208</u>
Total obligations under finance leases	4,135	5,208
Less: Amount included in current liabilities	(888)	(1,160)
	<u>3,247</u>	<u>4,048</u>

Assets arranged under finance leases represent buildings for pachinko and pachislot halls, pachinko and pachislot machines, and gaming machines for amusement arcades. 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 2018 (2017: 3.22% to 4.42% per annum) for pachinko and pachislot business; and from 2 to 3 years with effective interest rate range from 8.06% to 20.0% for amusement arcade business. No arrangements have been entered into for contingent rental payments during the reporting periods.

15 BUSINESS COMBINATION

(a) Summary of acquisition

On 20 November 2017, the company acquired 100% of the issued share capital of Dream Games Singapore Pte. Ltd. and its subsidiaries ("Dream Games") at a cash consideration of ¥1,870 million. Dream Games is engaged in the operation of entertainment and amusement facilities in Cambodia and Vietnam. The Acquisition represents a strategic opportunity for the Group to establish its leading presence in gaming and entertainment industry in Southeast Asia and broaden the types of entertainment provided by the Group.

Details of the net assets acquired and goodwill are as follows:

	Fair value ¥ million
Cash and cash equivalents	117
Prepayments, deposits and other receivables	236
Inventories	21
Property, plant and equipment	579
Deferred tax assets	15
Intangible assets	408
Provision and other payables	(170)
Borrowings and obligation under finance leases	(351)
Deferred tax liabilities	(89)
Current income tax liabilities	(5)
	<hr/>
Net identifiable assets acquired	761
Add: goodwill	1,109
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Net assets acquired	<u>1,870</u>

The fair value of assets have been determined on a provisional basis as the fair value of identifiable assets acquired may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date. The fair value is being valued by Roma Group Limited, an independent qualified professional valuer, not connected to the Group.

The goodwill arose in the acquisition of Dream Games included amounts in relation to the benefit of expected synergies, revenue growth, future business development and expansion in Asian markets. None of goodwill recognised is expected to be deductible for income tax purpose.

Revenue and loss attributable to the acquisition during the year are ¥417 million and ¥86 million, respectively. Had the above acquisition completed on 1 April 2017, total Group pro-forma revenue and loss for the year ended 31 March 2018 would have been ¥27,320 million and ¥56 million, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the above acquisition been completed on 1 April 2017, nor is it intended to be a projection of future results.

(b) Purchase consideration — cash outflow

	2018 ¥ million
Net cash outflow arising from acquisition of subsidiaries	
Cash paid	1,870
Cash and cash equivalents acquired	(117)
	<hr/>
Net outflow of cash	<u>1,753</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW, STRATEGIES AND DEVELOPMENT

Our Group embarked on expanding its business into Asia last year. Asian countries, particularly Southeast Asian countries, are expected to experience great economic development in the future, and their populations are also predicted to rise. As people's lives become richer, their leisure time also increases, and an expansion of the entertainment market is predicted. This was the route that Japan once followed during the post-war period of rapid economic growth, and in the near future, mature societies and markets will surely emerge in Asian countries. There, the importance of the community as a place where people can gather and enjoy themselves, and where people can interact with one another, is expected to increase. We intend to continue expanding our business in this rapidly growing region.

In the long term, we will develop our entertainment business in a broader sense, including the amusement business and restaurant business, both in Japan and Asia. In the medium term, for pachinko hall operations as our core business, we will proactively promote a plan to open halls, while securing the market by offering higher quality services. Furthermore, in our restaurant business, which we have already started in Japan, we will be opening additional establishments. In Asia, which is experiencing rapid growth, with an eye on future expansion of our business, we will seek out opportunities for further business investment and focus on forming a stable foundation for our existing businesses.

Our philosophy of 'Happy Time, Creation' meaning "providing happy times for people by making the world cheerful, fun and entertaining" applies not only to our mainstay pachinko business, but also to the activities of the entire Group. Furthermore, this philosophy is not limited to specific countries and regions — it has universal significance. The Group can create opportunities to conduct business in Asia, triggered by its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and in addition to the pachinko business, which evolved independently in Japan, in anticipation of the future, we have started taking steps along the path towards globalisation in order to boost the development of the Group as a whole.

Pachinko business

In the fiscal year ended 31 March 2018, we opened the “Niraku Hitachi-omiya hall” (in Hitachi-omiya city, Ibaraki prefecture). This “Niraku Hitachi-omiya hall”, as a new style of hall for the future, is based on the concept of becoming a community space in the area. We are making efforts to provide places of relaxation for the people of local communities, create halls where people can spend a relaxing and enjoyable time, with our motto of a familiarity that allows visitors who even do not play pachinko or pachislot would also pay a visit. Meanwhile, we closed the “Niraku Annaka-itahana hall” (in Annaka City, Gunma Prefecture) due to environmental changes within the marketing area and in order to strengthen our business structure. As a result, the number of pachinko halls at the end of this financial year stands at 55 (excluding the “Niraku Tomioka hall”, for which the prospect of resumption of business has yet to be determined due to nuclear disaster).

In the pachinko hall industry, we expect the situation persists in which it has been difficult to see significant improvement. According to the Japan Productivity Center “Leisure White Paper 2017”, the participating population was 9.4 million (a year-on-year decrease of 12.1%) — the lowest figure ever on record. The market size (gross pay-ins) also fell to ¥21.626 trillion (a year-on-year decrease of 6.9%), and the negative trend continues.

With the shrinking of the industry as a whole, the pachinko hall market is moving towards a polarised market, with the major companies pushing ahead with large-sized halls and the small- and medium-sized parlors set to withdraw from the industry. It is thought that this downward trend will continue for the time being, as efforts to cultivate the youngster people’s market, which is a problem for the industry as a whole, and to prevent the retreat of existing customer, are failing to have a noticeable effect.

In addition, in December 2016, the “Act on the Promotion of the Development of Integrated Resort Areas (IR Promotion Act)” was passed and enacted, and the pachinko industry is under the pressure of measures to counter the gambling addiction associated with the legalisation of casinos, and it is expected that further amendments will be made to gaming machine regulations in the future, as well as further measures being taken to counter the gambling aspect of gaming machines through restrictions on advertising and promotion.

In such an industry environment, in the pachinko hall business, we have been working on streamlining cost structure, increasing customers return rate and providing a gaming environment to meet the needs of diverse fans, while complying with various regulations, as an important part of our sales strategy. Although the conditions remain severe for the pachinko industry as a whole, including changes in the market due to change of machine regulations and downturn in sales (gross pay-ins), as a result of such efforts, we have been able to maintain greater customer traffic than last year at many halls.

Going forward, we will continue to make improvements on replacing machines in each hall to match customer preference, improve our gaming environment and customer service from the customer's point of view, and we will aim to strengthen our organization by further promoting the streamlining of expenses, and work together to create halls that our customers will support.

Amusement arcade business

On 20 November 2017, the Group acquired Dream Games Singapore Pte. Ltd. ("Dream Games") and its subsidiaries, which engages in amusement arcades operation in Vietnam and Cambodia.

Dream Games is a young company established in 2013, but since its inception, its business strategy is to ally with large Japanese mall developer, focusing on opening amusement arcades in new shopping malls. Currently, Dream Games operates a total of seven amusement arcades, with six in Vietnam and one in Cambodia. The economies of Vietnam and Cambodia are growing fast, and their leisure markets are expected to expand. Although the median ages of the populations of both countries are young and their populations are growing, there are still very few facilities for people to gather and enjoy their leisure time, and it is predicted that the use of amusement facilities will also continue to enjoy further growth in the leisure market.

In the future, we will work on developing new types of operation for selling our services to respond to a variety of needs, starting with existing markets, and focus on strategies to expand our market share, without missing opportunities to open new arcades. We will also be looking to other Southeast Asian markets, and we plan to expand our amusement business throughout Asia in the future. Our plan is to accurately capture the economic growth of the countries of Asia, the accompanying expansion of their leisure markets, and their various needs, and actively invest in them to expand the business and make it one of our pillars of income in the future.

Restaurant business

As for our restaurant business, we are currently operating two restaurants, in Shinbashi and Nishi Shinjuku, as a franchisee of Spanish restaurant chain "Lizarran" developed by the Spain-based Comess Group, which operates restaurants mainly in Europe. We plan to open another restaurant in fiscal year 2018/2019.

The "Lizarran" brand that the Comess Group is deploying in its home country of Spain is a brand that is full of fun — not only serving food but also offering an entertaining style of service.

We are convinced that, with our profound experiences that we had gained through our pachinko business, we can take full advantage of the efficient store operation, service and quality maintenance and management systems and open more restaurants in the future. We plan to continue to roll out more restaurants in major urban areas in Japan.

Strengthening relations with the local community

In the pachinko industry that is the mainstay of our business, the market shrinkage shows no signs of halt. Under such circumstances, what is important is how well we can maintain our customer base. To that end, we must maintain close relationships with our customers and pachinko halls that customers would choose to patronise. The pachinko hall has the characteristic of a “neighborhood marketing style”, in which the marketing area is small, and close relationships are built up with customers. Rather than drawing in customers from far and wide, it is necessary to have customers from the neighborhood visit the halls regularly in their daily lives. To that end, we believe that how we are perceived and evaluated by the local people, and how we can coexist as and live in symbiosis as a member of the local community will become an important factor.

Currently, the Group is working on how to live in harmony with the local communities, primarily with our pachinko halls. For that purpose, we have started our “Active Local Engine” initiative as one of our branding activities. These activities will turn halls into intersections of various forms of entertainment in local communities and deepen their connection with the local area. Specifically, the idea is to bring together the small “interesting” and “fun” things in the marketing area of the pachinko hall, and introduce them to create common talking points with the members of community and, by extension, with our customers, share the “interesting” and “fun” together. In addition, we will integrate our existing Corporate Social Responsibility (CSR) activities and charitable donation activities directed at local communities into these branding activities and promote them under a unified concept.

These activities are not something that will directly lead to attracting customers; however, if our value in the local community can increase through these activities, and we can come to be recognized as a member of the community by even those locals who do not play pachinko themselves, we believe that they will have an indirect effect to our sales activities.

FINANCIAL REVIEW

Revenue from Pachinko and Pachislot Business

Revenue from pachinko and pachislot is derived from gross pay-in netted with gross pay-out.

Revenue from pachinko and pachislot business declined from ¥28,396 million in 2017 to ¥25,263 million in 2018. The decrease in revenue by ¥3,133 million, or 11.0%, was primarily due to the recession of the pachinko and pachislot industry.

Gross pay-ins

For the year ended 31 March 2018, the Group's gross pay-ins from pachinko and pachislot business amounted to ¥138,493 million, comprising revenue from suburban halls of ¥131,811 million (2017: ¥136,122 million) and urban halls of ¥6,682 million (2017: ¥7,008 million), representing a decrease of ¥4,311 million, or 3.2%, and ¥326 million, or 4.7%, respectively, as compared to last year. The decline, apart from shrinkage of customer base, was resulted from the replacement of high-gaming element machines to low-gaming element machines which in turn generate less revenue; closure of Annaka-Ibahana hall in current year; netted with the additional revenue from Hitachi-Omiya hall which was opened in late December 2017.

Gross pay-out

Gross pay-out declined from ¥114,734 million in 2017 to ¥113,230 million in 2018, a decrease of ¥1,504 million, or 1.3%, generally mirrored the decline in gross pay-ins.

Revenue margin

The revenue margin decreased from 19.8% in 2017 to 18.2% in 2018. The decrease of 1.6% was due to strategic increase in pay-out ratio to stimulate higher customer visits, which lowered the gross profit in the short term. The merit has been witnessed by the increase in the machine utilisation rate from 23.2% for both pachinko and pachislot machine in 2017 to 23.3% for pachinko machine and 23.9% for pachislot machine in current year.

Revenue from Amusement Arcade Business

In November 2017, the Group acquired 100% of equity interest in Dream Games, a company engages in the operation of entertainment and amusement facilities in Cambodia and Vietnam. As a result of the acquisition, the financial results of Dream Games and its subsidiaries were consolidated into the Group's financial statements.

For the year ended 31 March 2018, the revenue contributed from amusement arcade business amounted to ¥417 million, of which ¥349 million and ¥68 million were derived from Vietnam and Cambodia, respectively.

Other revenue

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

Vending machine income amounted to ¥536 million in 2018. The slight decrease of ¥28 million as compared to ¥564 million in 2017 was resulted from the drop in customers visit.

Revenue from hotel operations increased from ¥130 million in 2017 to ¥158 million in 2018 as a result of increase in average occupancy rate from 70.30% in 2017 to 75.7% in 2018.

Revenue from restaurant increased drastically from ¥90 million in 2017 to ¥180 million in 2018. The hike was due to full year effect of revenue from Nishi-Shinjuku restaurant which was opened in June 2016; and the third restaurant located in Shinbashi which was opened in August 2017. Approaching to the end of financial year, in late February 2018, the Group decided to close down the restaurant in Akasakamitsuke due to its unsatisfactory performance.

Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥473 million, or 10.8%, from ¥4,391 million in 2017 to ¥3,918 million in 2018, primarily due to impairment loss of ¥271 million provided in last year but nil in current year; and continuous implementation of cost savings measures during the current year.

Finance costs, net

Finance costs, net declined by ¥21 million, or 4.0%, from ¥531 million in 2017 to ¥510 million in 2018. The drop was attributable to the centralisation of borrowings from individual subsidiaries level to the Company, allowing higher cost savings on borrowings.

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

Profit before income tax amounted to ¥213 million, a plunge of ¥689 million, or 76.4%, as compared to ¥902 million in 2017. Net profit margin dropped from 1.7% in 2017 to -0.2% in 2018.

Loss attributable to shareholders of the Company of ¥15 million was recorded for the year ended 31 March in 2018, as compared to the profit to shareholders of ¥492 million in 2017. The turn around from profit to loss was mainly due to the drop in gross pay-in by 3.2%; and increase in pay-out ratio which lower the profit margin in the short term.

Basic loss per share was ¥0.013 (basic earnings per share in 2017: ¥0.41). The Board has declared a final dividend of ¥0.12 per share for the year ended 31 March 2018 (2017: ¥0.03 per share) on 30 May 2018.

CAPITAL STRUCTURE

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

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

The table below sets forth the information regarding the cash and cash equivalents, bank deposits, bank borrowings, obligations under finance leases, working capital, total equity and gearing ratio of the Group as at 31 March 2018 and 2017, and operating cash flows before movements in working capital of the Group for the years ended 31 March 2018 and 2017, respectively:

	As at 31 March	
	2018	2017
	¥ million	¥ million
Cash and cash equivalents	15,594	13,404
Bank deposits	90	287
	15,684	13,691
Bank loans	3,574	2,860
Syndicated loans	11,166	8,190
Obligations under finance leases	4,135	5,208
	18,875	16,258
Working capital	8,548	8,066
Total equity	27,136	27,499
Gearing ratio	69.6%	59.1%
	For the year ended	
	31 March	
	2018	2017
	¥ million	¥ million
Operating cash flows before movements in working capital	2,925	4,156

Net current assets of the Group totalled ¥8,548 million as at 31 March 2018 (31 March 2017: ¥8,066 million), and current ratio was 1.97 as at 31 March 2018 (31 March 2017: 2.12). As at 31 March 2018, there were cash and cash equivalents of ¥15,594 million (31 March 2017: ¥13,404 million), in which ¥14,865 million was denominated in Japanese Yen, ¥456 million was denominated in United States dollar, ¥218 million was denominated in Hong Kong dollar and ¥55 million was denominated in other currencies. The Group had total borrowings of ¥18,875 million as at 31 March 2018 (31 March 2017: ¥16,258 million). Current portion of borrowings and current portion of obligations under finance leases amounted to ¥4,774 million as at 31 March 2018 (31 March 2017: ¥3,554 million).

The Group's bank borrowings during the current period comprised bank loans and syndicated loans. As at 31 March 2018, the total bank borrowings amounted to ¥14,740 million (31 March 2017: ¥11,050 million) with the average effective interest rates ranged from 0.8% to 1.1% (31 March 2017: 1.1% to 1.8%) per annum. Approximately 4.2% of bank borrowings as at 31 March 2018 were fixed rate borrowings.

HEDGING OF FLOATING RATE BORROWINGS AND FOREIGN EXCHANGE

As at 31 March 2018, the Group had one floating to fixed interest rate swap contract with a bank in Japan (i.e. the Group pays fixed interest rates and receives interests at floating rate). This interest rate swap contract was entered into as a measure to manage interest rate risk in relation to loans of the Group. As interest rates of some of the Group's loans are on a floating rate basis, the floating to fixed interest rate swap contracts enabled the Group to reduce the volatility in the amount of interest being paid. For the year ended 31 March 2018, the gain on fair value for interest rate swap contracts amounted to ¥3 million.

The Group's debts were primarily denominated in Japanese Yen. After the acquisition of Dream Games, the Group maintains an appropriate level of external borrowings in Vietnam Dong for natural hedging of Vietnam Dong attributed to projects in Vietnam. The Vietnam Dong exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the Vietnam subsidiary with functional currency of Vietnam Dong and the Vietnam Dong deposits held for future development costs. As at 31 March 2018, the translation of non-current assets and liabilities of subsidiaries with functional currency other than Japanese Yen to Japanese Yen by using exchange rates at that day resulted in a loss of ¥93 million is recognised in equity. Apart from this, 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 69.6% as at 31 March 2018 (31 March 2017: 59.1%). The increase of 10.5% as compared with that as at 31 March 2017 was mainly due to the increase in total borrowings of ¥2,617 million and decrease in total equity of ¥363 million.

CAPITAL EXPENDITURE

Capital expenditure mainly comprises 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	
	2018	2017
	¥ million	¥ million
Property, plant and equipment	1,915	653
Investment properties	3	–
Others	1	5
	1,919	658

CHARGES ON ASSETS

As at 31 March 2018 and 2017, the carrying values of charged assets were as below:

	2018	2017
	¥ million	¥ million
Property, plant and equipment	8,340	8,195
Investment properties	662	678
Deposits and other receivables	582	585
	9,584	9,458

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2018 and 2017.

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

On 31 October 2017, the Company entered into sale and purchase agreement with the shareholders of Dream Games to purchase the entire issued shares of Dream Games at a cash consideration of approximately ¥1,870 million. As at the date of acquisition, Dream Games was principally engaged in the operation of entertainment and amusement facilities in Cambodia and Vietnam. The acquisition was completed on 20 November 2017, and Dream Games and its subsidiaries became the wholly-owned subsidiaries of the Company.

Save for those disclosed in this result 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 results announcement.

There is no important event affecting the Company that has occurred since the end of the financial year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 1,776 employees. The remuneration policy of the Group (including those for directors and employees) is determined by the Remuneration Committee under the Board as per the performance, qualifications and competence of the employees.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the initial public offering in April 2015 amounted to approximately HK\$339 million. As at 31 March 2018, all the net proceeds were utilised according to 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 ¥0.12 per share for the year ended 31 March 2018 (31 March 2017: ¥0.03 per share) on 30 May 2018, the final dividend will be payable on 13 July 2018 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at close of business on 14 June 2018.

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 30 May 2018 (being 23 to 25 May 2018 and 28 to 29 May 2018).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 March 2018, the Company has adopted and complied with all the applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), with the exception for code provision A.2.1, which requires the roles of chairman and chief executive to be separated and should be performed by different individuals.

Code provision A.2.1

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

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 year ended 31 March 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 March 2018 and up to the date of this results announcement. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the year ended 31 March 2018 and up to this results announcement.

AUDIT COMMITTEE

The audit committee of the Company had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2018.

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 2018 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 ("2018 AGM") will be held on 28 June 2018 at 1-39 Hohaccho 1-chome, Koriyama-shi, Fukushima, Japan. Notice of the 2018 AGM will be published and issued to Shareholders in due course. The right to attend and vote at the 2018 AGM will be granted to the Shareholders whose names appear on the Company's share register at the close of business on Friday, 22 June 2018.

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 2018 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 Friday, 22 June 2018.

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 2018 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)

Fukushima, Japan, 30 May 2018

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

** for identification purpose only*